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ABSTRACT

Designed for use with secondary and postsecondary students who have completed one year of distributive education/marketing general instruction, this curriculum guide provides a competency-based core of instruction for training supervisory managers in a one-year, cooperative program. Seven sections and 22 instructional units are included. Each unit consists of eight basic components: performance objectives, teacher activities, information sheets, assignment sheets, job sheets, transparency masters, tests, and test and assignment sheet answers. Section A, Principles of Economics, has two units: Economics and Free Enterprise and Economics of Modified Free Enterprise. The second section is entitled Principles of Management. The six units in section C, Personnel Management, are: Supervisory Skills, Store Organization, Personnel Selection, Employee Development, Compensating Employees, and Labor Relations. Section D, Layout and Security, includes three units: Store Layout, Security, and Safety. Section E, Fundamentals of Merchandising, contains three units: Trading Area and Merchandise Selection, Merchandise Control Operations, and Inventory Control. In section F, Credit Services, there are three units: Credit Procedures, Credit Card Services, and Collection Procedures. The final section on Small Business Ownership consists of four units: Starting a Small Business, Setting Up the Books, Insurance, and Promoting a Small Business. (YLB)

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Business Management & Ownership

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BUSINESS MANAGEMENT & OWNERSHIP

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FOREWORD

We believe the most effective way to improve vocational education is through the development and utilization of a good, sound instructional materials delivery system. We feel that *Business Management & Ownership* will expedite program uniformity, set minimum program standards, and provide means for higher levels of student and teacher accountability in this state.

Business Management & Ownership is designed for senior DE/Marketing students who have completed one year of DE/Marketing general instruction as a prerequisite. This in-depth study is designed to provide basic knowledge and skills necessary for supervisory managers. Although primary emphasis is directed toward retailing management, most of the information presented is generic to all management positions. The last section of these materials, "Small Business Ownership," focuses on legal aspects and issues facing prospective small business owners.

The instructional materials in *Business Management & Ownership* are designed for use in a one-year, cooperative program. It is believed that this in-depth curriculum guide will afford each DE/Marketing teacher an opportunity to increase students' skills necessary for employment in supervisory management positions. Critical tasks identified in these materials should be included in each student's cooperative training plan. It is our belief that DE/Marketing, statewide, will become more effective through use of these materials.

Francis T. Tuttle, Director
Oklahoma State Department of
Vocational and Technical Education

Gene Warner, State Supervisor
DE/Marketing Division

PREFACE

We called it a "rainbow of hope . . . a dream to come true." After months of research and hundreds of hours in writing, editing, and printing, *Business Management & Ownership* is, at last, ready for you.

These materials were designed for use in DE/Marketing classrooms for training supervisory managers at secondary and post-secondary levels. Specific competencies for supervisory managers were identified through research and task analysis, and appropriate information and learning activities were developed. The result is a competency-based core of instruction for Business Management & Ownership programs.

Business Management & Ownership represents a broad range of information and experiences. Each unit contains at least one assignment sheet; most are self-contained, and many are presented in case study format.

A host of activities is listed in Suggested Activities sections throughout these materials. *Business Management & Ownership* is not designed to "stand on its own." Teachers should localize, personalize, and otherwise supplement the materials in such a manner that students are motivated to participate . . . to learn. Suggested Activities provide guides for teachers; however, creativity in classroom instruction is essential. It will be up to you to motivate your students to learn as much as they can learn . . . to become enthusiastic about their achievements . . . to reach their pot of gold at the end of the rainbow.

Barbara Jean Lyon
Cooperative Curriculum Specialist
Curriculum and Instructional
Materials Center

ACKNOWLEDGEMENTS

Sincere appreciation is expressed to the many individuals, companies, and organizations who contributed their time, talents, expertise, and enthusiasm during the perparation and publication of these materials. Without their combined efforts, this core curriculum guide for Business Management & Ownership programs would not have been possible.

Special recognition goes first to Tom Worley, who, while on staff at the State Department of Vocational and Technical Education, spent hours researching and preparing activities for business management programs. His efforts laid the path for continuing research and development as materials were created for use in this manual.

COMMITTEE MEMBERS

The following individuals from industry and education served as members of the advisory committee for *Business Management & Ownership.* It was their mission to identify tasks to be covered, to read materials as they were developed, and/or to provide input for validation purposes. Truly, they set the groundwork from which these materials were developed.

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SPECIAL RECOGNITION

A special thank-you goes to the entire staff of the Curriculum and Instructional Materials Center, State Department of Vocational and Technical Education, for their support and guidance in the development and dissemination of *Business Management & Ownership.* Although the staff as a whole provided support as necessary, one individual, Joyce Sawatzky, Assistant Coordinator, deserves special recognition. Genuine appreciation is extended to Joyce Sawatzky for having trained this writer and for supporting this project in such a manner that we were able to make these materials available to teachers and students throughout Oklahoma within a single calendar year from task analysis to in-service training. It was through Joyce's coordination efforts that this writer was allowed to move units through the system in order to meet our summer 1982 deadline.

To my secretary, Lee Beatty, and to Greg Pierce, Assistant Coordinator, and Joan Henderson, photographer, thank-you. Your assistance in the production of this book is greatly appreciated. Recognition also goes to the staff of the Graphics Division of the State Department of Vocational and Technical Education for their services rendered during the development and publication of *Business Management & Ownership.*

Finally to my personal friends, thank-you for your support throughout the writing of these materials. Your patience and enthusiasm are truly appreciated. Thank-you, also, for allowing your names to be printed in case study assignment sheets used throughout *Business Management & Ownership.*

USE OF THIS PUBLICATION

Instructional Units

Business Management & Ownership includes seven sections and twenty-two instructional units. A standard format was established in 1970 for the development of instructional materials for all Oklahoma vocational teachers. This format includes eight basic components which form a unit of instruction: performance objectives, suggested activities for the teacher, information sheets, assignment sheets, job sheets, transparency masters, tests, and answers to tests and assignment sheets. Depending on the specific objectives, transparency masters, assignment sheets, and job sheets may or may not be included in the units of instruction. Because of the instructional nature of DE/Marketing Business Management & Ownership classes, no job sheets appear in this publication. Each unit of instruction, however, does contain at least one assignment sheet.

All of the unit components "zero in" on measurable and observable learning outcomes. Teachers are encouraged to supplement, personalize, localize, and motivate with these materials in order to develop a complete teaching-learning process.

Units of instruction are designed for use in more than one lesson or class period of instruction. Careful study of each unit of instruction by the teacher will help him or her determine the following:

A. Amount of material that can be covered in each class period
B. Skills which must be demonstrated
  1. Supplies and equipment needed
  2. Amount of practice needed
  3. Amount of class time needed for demonstrations
C. Supplementary materials, such as pamphlets and filmstrips, that must be ordered
D. Resource people who must be contacted

Performance Objectives (white pages)

Each unit of instruction is based on the performance needed for successful employment in an occupational area. Performance objectives are stated in two forms: 1) unit objectives, stating subject matter to be covered in a unit of instruction, and 2) specific objectives, stating student performance necessary to reach the unit objective.

Since the objectives of the unit provide direction for the teaching-learning process, it is important that teachers and students have a common understanding of the intent of the objectives. Following is a list of performance terms, their meanings, and behavioral synonyms which may have been used in this material.

A. Name--The individual supplies a name for objects, events, or people

Behavioral synonyms: Label, list, letter, record, reiterate, repeat, write

B. Identify–The individual selects a named, described, or pictured object by pointing to it, touching it, picking it up, or selecting it

Behavioral synonyms: Select, mark, match, choose, judge

C. State a rule--The individual communicates a relationship or principle which could be used to solve problems or perform a task

D. Apply a rule--The individual supplies an answer to a problem by using a stated relationship or principle

Behavioral synonyms: Solve, calculate

E. Describe--The individual relates sufficient characteristics or properties of an object or event so that a second individual will be able to state what is being discussed

Behavioral synonyms: Define, discuss, interpret, recite, tell how, tell what happens when

F. Distinguish--The individual selects an object or event from two or more which are easily confused

Behavioral synonyms: Discriminate, differentiate

G. Order--The individual arranges three or more objects or events in a sequence based on a stated property

Behavioral synonyms: Arrange, sequence, list in order, classify, divide, isolate, sort

H. Construct--The individual makes a physical object, a verbal statement, or a drawing

(NOTE: Construct is used when the finished product or result is important.)

Behavioral synonyms: Draw, make, build, design, formulate, reproduce, transcribe, convert, put together, compile

I. Demonstrate--The individual performs several operations necessary to carry out a specified process

(NOTE: Demonstrate is used when it is desirable to watch the student perform a task, one of the highest levels of student performance.)

Behavioral synonyms: Show your work, show procedure, perform an experiment, perform the steps, operate, remove, replace, turn off/on, (dis) assemble, (dis) connect

Objectives should be presented to students and stressed throughout the teaching-learning process. This will help answer any questions concerning performance requirements for each instructional unit. Objectives may also help determine teaching strategies and instructional methods. Preparation for each unit of instruction should center around a decision regarding how each objective can best be delivered and practiced.

The objective sheet may be also used as a quick pretest to determine prior knowledge of students and to determine whether further study or activities are necessary. Teachers should feel free to modify, delete, or add objectives in order to meet the needs of both students and local community. When changes in objectives are made, teachers should remember to supply necessary information, assignment sheets, and criterion test items.

Suggested Activities (pink pages)

This component is included only in teacher material. Suggested activities pages assist teachers during the preparation stage of the teaching-learning process by providing suggestions for delivery and/or presentation during the instructional process. Teachers should read the suggested activities before teaching the units so that supplemental materials may be obtained, audiovisual materials prepared, and outside resources contacted. Duties of the teacher will vary according to each particular unit.

References used in the development of each unit are listed at the end of suggested activities. They should be used by the teacher to supplement knowledge of the subject area or to help students with particular interests or occupational objectives in the area covered.

Information Sheet (green pages)

The information sheet provides "must know" content essential for meeting the cognitive (knowledge level) objectives of the unit. Information is written in a topical outline form and is keyed to the specific objectives, transparency masters, assignment sheets, and test questions.

Teachers will find that the information sheet serves as an excellent guide for presenting background knowledge necessary to develop the skills specified in the unit objective. Information sheets may also be used for coordination activities and advisory committees.

Students should read the information sheet before information is discussed in class. Space is provided in margins for students and teachers to add notes that supplement, localize, personalize, and/or provide motivation for each unit.

Transparency Masters (white pages in teacher material and green in student material)

Transparency masters provide information in a special way. The students may see as well as hear the material being presented, thus reinforcing the learning process. Transparencies may present new information or they may reinforce information presented in the information sheet. They are particularly effective when identification is necessary.

Transparencies should be made and placed in the notebook where they will be immediately available for use. Transparencies direct the class's attention to the topic of discussion.

Assignment Sheets (brown pages)

Assignment sheets give students a chance at problem solving, self-assessment, and/or practical experience with the information. They assist students in the application of knowledges which are necessary prerequisites to skill development. These may be given to the student for completion in class or used for homework assignments. Answer sheets are provided when appropriate and can be used by the student and/or teacher for checking student progress.

Tests (yellow pages)

The testing component provides criterion-referenced evaluation of every specific objective listed in the unit of instruction. It is crucial to note that both paper-pencil and performance objectives must be evaluated.

The tests may be written, oral, or otherwise performance-based. It is recommended that the tests be divided into shorter tests covering three or four objectives at a time and given soon after those objectives have been covered. A selection of questions from the units covered may be used for final tests at the end of each term if desired. If objectives have been added, deleted, or modified, be sure to make the changes on the test.

The acceptable response on a unit test, eighty-five percent in most units, may be raised or lowered to fit the topic or students' ability levels. The percentage applies to the overall score, not to each question. The final unit grade should be obtained by using the paper-pencil score along with teacher evaluations of student demonstrations of the desired skills.

Answers to Test and Assignment Sheets (pink pages)

These components are designed to assist the teacher in evaluation of student performance. Where no single answer is correct, such as, answers to case study problems, evaluation is left to the satisfaction of the instructor.

Page Numbering

Each publication from the Curriculum and Instructional Materials Center is assigned a specific abbreviation. For example, *Business Management & Ownership* has been abbreviated BMO. The units are then numbered consecutively within each section. An example of a page number is BMO-I - A. Because all CIMC publications are loose leaf, this system of page numbering was adopted so that pages from various manuals would not be confused.

Methods of Disseminating Material

Material should be given out a unit or section at a time. This practice allows teachers to keep new materials in front of students on an on-going basis. Teachers may ask students to furnish a three-ring binder for their materials, and perhaps a small folder for the specific unit currently being used in class. This makes it easier for students who need to take materials home to study. Units may then be placed in larger binders upon completion of the material. Large binders may be purchased at cost from the CIMC. Some teachers have stored materials by units in filing cabinets or boxes until needed for use. All the units may be given out at once; however, this is not the best method of materials dissemination, as students are first startled by the bulk of the materials and later distracted from what is being done in class because they may be concentrating on other materials.

Student materials should be provided for each student for best results. Student materials contain everything but the test answers, answers to assignment sheets, and suggested activities. Tests are collated at the back of student material and should be removed and stored until needed. Students should be allowed to take their materials home at the end of the year to use as references as they work in supervisory management positions and/or as they decide to open their own business.

Teaching Methods

It is a challenge to keep students motivated. To reach this, teachers should supplement objectives by providing the "why," personal experiences, current information, and projects for each unit of instruction. Preparation for each unit should center around decisions regarding how each objective can best be taught. Students should be allowed to become involved in preparing, planning, and presenting materials and ideas.

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ECONOMICS AND FREE ENTERPRISE
UNIT I

UNIT OBJECTIVE

After completing this unit, the student should be able to describe free enterprise and its role as a major economic system operating in today's world. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with economics and free enterprise to the correct definitions.
2. Select from a list common characteristics of all economic systems.
3. List the factors of production and one example of each.
4. Distinguish among characteristics of the major political/economic systems.
5. List economic decisions made in a market economy.
6. Discuss the primary features of a free enterprise/market system.
7. Select from a list true statements about price in free enterprise/market systems.
8. Discuss the role of profit in a free enterprise/market system.
9. Discuss the role of government in a free enterprise/market system.
10. Select from a list characteristics of successful workers in a free enterprise/market system.
11. Distinguish among factors of production.
12. Analyze major political/economic systems.
13. Analyze competition in a free enterprise/market system.
14. Analyze supply and demand in a free enterprise/market system.
15. Form opinions about the roles played by individuals in a free enterprise/ market system.

ECONOMICS AND FREE ENTERPRISE
UNIT I

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order films, filmstrips, and games planned to supplement unit.

1. *American Enterprise Teaching Notes*. Available from Playback Associates, 708 Third Avenue, New York, New York 10017.

   (NOTE: This is a free newsletter-periodical filled with ideas for teaching economics and free enterprise.)

2. *Our Economic System--Essays and Teacher's Guide*. Available from Sears Consumer Information Services, Department 703, Sears, Roebuck and Company, Sears Tower, Chicago, Illinois 60684.

   (NOTE: This is a reprint from *Reader's Digest* of 12 free enterprise essays and teaching suggestions. One complimentary copy is available.)

3. *The System*. Color, 15 minutes, Modern Talking Pictures, 1980. Available from Modern Talking Pictures, 2323 New Hyde Park Road, New Hyde Park, New York 11040.

   (NOTE: This is a free-loan, filmed discussion of teenagers dealing with questions on free enterprise. Teaching materials are included.)

4. *Incredible Bread Machine*. Color, 30 minutes, World Research, Inc. Available from World Research, Inc., Campus Studies Institute Division, 11722 Sorrento Valley Road, San Diego, California 92121

   (NOTE: This free-loan film draws together ideas of economics and personal freedom.)

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

(NOTE: You may need to provide special assistance and support to students in helping them find necessary resource materials for assignment sheets.)

G. Have students clip news items related to the free enterprise system to create bulletin board or notebooks.

SUGGESTED ACTIVITIES

H. Invite guest speakers to personalize and localize free enterprise system concepts.

EXAMPLES: Business owner-manager, banker, stockbroker

I. Discuss DECA Free Enterprise project with students.

J. Have students write an essay entitled "What Free Enterprise Means to My Future" or other appropriate title.

K. Have students read articles from periodicals and/or trade journals covering topics such as economics, inflation, supply and demand, productivity and successful employees.

L. Organize a classroom debate on the statement, "Small businesses do not have a chance in today's economy."

M. Discuss the effects of television advertising on today's consumer.

N. Have students write letters to their state legislators encouraging current legislative measures.

O. Give test.

P. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency masters

1. TM #1--Economics
2. TM #2--Economic Systems Use . . . To Produce . . .
3. TM #3--Types of Economic Systems
4. TM #4--Characteristics of a Free Enterprise System
5. TM #5--The Role of Profits
6. TM #6--Government Involvement in Free Enterprise
7. TM #7--Characteristics of Successful Workers

SUGGESTED ACTIVITIES

E. Assignment sheets

1. Assignment Sheet #1--Distinguish Among Factors of Production
2. Assignment Sheet #2--Analyze Major Political Economic Systems
3. Assignment Sheet #3--Analyze Competition in a Free Enterprise/ Market System
4. Assignment Sheet #4--Analyze Supply and Demand in a Free Enterprise/ Market System
5. Assignment Sheet #5--Form Opinions About the Roles Played by Individuals in a Free Enterprise/Market System

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. *The American Economic System...and Your Part in It.* New York: Advertising Council, Inc., 1975.

B. *American Enterprise Teaching Notes.* New York: Playback Associates, 1980.

C. Shilt, Bernard, Kenneth Everard, and John Johns. *Business Principles and Management*, 6th ed. Cincinnati: South-Western Publishing Co., 1973.

D. Wyllie, Eugene, and Roman F. Warmke. *Free Enterprise in the United States.* Cincinnati: South-Western Publishing Co., 1980.

E. *Free Enterprise . . . It's Working!* Bartlesville, Oklahoma: Phillips Petroleum Co., Inc., 1980.

ECONOMICS AND FREE ENTERPRISE
UNIT I

INFORMATION SHEET

I. Terms and definitions (Transparency #1)

   A. Capital--Money, buildings, machinery, and investments that are used, or available, to make products or services

   B. Capitalism--Economic system characterized by freedom of the market to make economic decisions; promotes private ownership of businesses and promotes private control of means of production

   C. Communism--Political/economic system totally controlled by the government

   D. Credit--Extension of payment for goods and services after delivery

   EXAMPLE: 90 days to pay, credit cards

   E. Demand--Quantity of a good or service that consumers are willing and able to buy at a specific time and price

   F. Democracy--Political system in which the people select their government representatives

   G. Distribution--Movement of goods throughout the marketing system

   EXAMPLE: From producer to wholesaler to retailer to consumer

   H. Economics--Study of ways a country turns its resources into goods and services in order to satisfy its citizens

   I. Free enterprise--Marketing-centered political/economic system which encourages as little government intervention and control as possible

   (NOTE: The political system related to free enterprise is democracy; the economic system is called capitalism.)

   J. Labor--Physical and mental tasks that are performed by people in order to produce and distribute goods and services

   K. Management--People with the authority and ability to make business decisions

   L. Market--Group of people who are willing and able to purchase goods and services at a given price

   M. Marketing--System of business activities that directs the flow of goods and services from producer to consumer

   N. Natural resources--Land, minerals, oil, and water necessary to produce goods and services

INFORMATION SHEET

O. Productivity--Efficiency with which we use our resources: manpower, facilities, and raw materials; getting the most out of every dollar invested

P. Profit--Economic reward for filling the needs and wants of consumers; return received by a business after all operating expenses have been paid

Q. Risk--Taking a chance in any activity; in business, taking a chance that the owner will make a profit

R. Scarcity--Situation brought about when there are not enough goods or services to satisfy the need or desire for them

S. Small Business Administration (SBA)--Federal agency established to assist small businesses with planning, operations, and obtaining loans

T. Socialism--Planned political/economic system in which all of the people own the natural resources and channels of distribution; not profit oriented; everyone works for the good of the nation as a whole

U. Supply--Quantity of a product or service that producers are willing and able to make available for sale at a given price and time

V. Trade-off--Giving up known quality in one product or service in order to purchase a similar product or service at a lower price

II. Common characteristics of all economic systems

A. Every nation has limited natural resources

EXAMPLES: Land, trees, oil, coal, water, minerals

B. Every society has unlimited wants

EXAMPLES: Cars, houses, clothing, recreation

C. In every society people must work

D. Every society produces goods and services

(NOTE: There is a limit to how many goods and services can be produced at any one time. This is due to limited natural resources, capital, and labor.)

EXAMPLES:

1. Goods are tangible items that you can see and/or feel, such as cars, clothing, textbooks

2. Services are intangible items/activities performed by others for money, such as entertainment, postal services, work performed by beauticians and auto mechanics

INFORMATION SHEET

E. Scarcity forces all societies to decide what to produce, how to produce, and how to distribute goods and services to its citizens

(NOTE: The questions of what to produce, how to produce, and how to distribute goods and services are referred to as economic decisions. All economic systems must answer these three questions.)

III. Factors of production (Transparency #2, Assignment Sheet #1)

A. Land or natural resources--Includes soil, trees, plants, water, and minerals

B. Labor--Includes all of the physical and/or mental efforts that people contribute to producing goods and services

C. Capital--Includes all money, buildings, machinery, technology, and investments that are used to make products or services

(NOTE: Management is often considered as a fourth factor of production; however, most agree that management falls under "labor" as a factor of production.)

IV. Characteristics of major political/economic systems (Transparency #3; Assignment Sheet #2)

A. Traditional systems

(NOTE: Traditional economic systems are generally linked with primitive societies in Africa and Australia.)

1. Found in nonindustrial societies; generally agrarian cultures

2. Economic decisions are solved by customs, not by how productive each citizen may be

EXAMPLES: Birthright, sex, age

3. Government structure follows autocratic or dictatorial methods

EXAMPLES: King, dictator, chief

B. Planned systems

1. Found in many industrial societies

2. Economic decisions are solved by a government planning board or committee

INFORMATION SHEET

3. Government structure follows either socialist or communist policies

   a. Socialism

   (NOTE: Great Britain, France, and Sweden are socialist countries.)

   1) All people within the society own the major resources, means or production and channels of distribution; therefore, the government usually controls production and distribution

   2) Businesses are operated to serve the public, not to earn profit for individuals

   3) Most of the people work for the government; few may own their own businesses

   4) Citizens may choose the work they want, but the government sets the rate of pay for all workers

   (NOTE: Those who work for themselves are highly taxed by the federal government. In some countries the tax is over 50% of total earnings.)

   5) These countries have extensive social welfare programs

   EXAMPLES: Health care, education, public transportation

   b. Communism

   (NOTE: Russia, Albania, Poland, East Germany, and Cuba are communist countries.)

   1) Government owns and operates all major resources, means of production and channels of distribution

   2) Businesses are operated to serve the government

   3) Everyone works for the government, as directed by the government

   4) The government decides who will take on which jobs, and citizens are trained according to the jobs assigned

   5) Communism has grown rapidly since pre-World War II days

INFORMATION SHEET

C. Free enterprise/market systems

(NOTE: Because of various types of government involvement in a market economy, it is often called "modified free enterprise." There is no true free enterprise system in existence in the world today. The United States of America, Canada, and Switzerland operate under free enterprise/market systems.)

1. Individuals own the natural resources, means of production, and channels of distribution
2. Businesses are operated by individuals in order to earn a profit for the owners
3. Individuals decide in which jobs they want to work and receive training as they wish
4. Consumers make production decisions based upon which goods and services they are willing to purchase
5. These systems usually operate under a democratic form of government

V. Economic decisions made in a market economy

A. Government decisions

EXAMPLES: Taxes, police protection, schools, social programs, roads

B. Consumer decisions

(NOTE: Whenever consumers decide to buy products or services they cast "economic votes" in the marketplace. That is, they have direct influence upon which businesses will succeed and which will fail.)

EXAMPLES: Buying and selling goods and services, saving money

VI. Primary features of a free enterprise/market system (Transparency #4; Assignment Sheets #3 and #4)

A. Freedom to enterprise

1. Individuals have the right to start, operate, and end their own businesses
2. Individuals must accept risk when they open a business

   (NOTE: Only one in three new businesses makes it through the first year of operation, and only one-half of those which survive make it successfully through the second year.)

3. Individuals have the right to earn a profit and invest or spend it as they choose

INFORMATION SHEET

B. Ownership of property

1. Individuals have the right to own and sell their personal property
2. People tend to take better care of property when they own it
3. Because property ownership is shared by so many, there is less likelihood of one person or one group gaining absolute power

C. Consumer choice

1. Individuals are free to buy goods and services or to save their money as they choose
2. Consumers make trade-offs in the marketplace every day

   EXAMPLE: A customer may give up the quality of a brand-name product in order to try a similar product that is offered as a generic (plain label) item at a lower price

D. Competition (Assignment Sheet #3)

1. Limits price that a business can effectively charge for its goods and services

   (NOTE: This is known as price competition.)

2. Encourages better quality merchandise and broader services within the businesses' operations

   (NOTE: This is known as non-price competition.)

   EXAMPLES: Convenient parking, use of credit, repair services, layaway, gift wrapping

3. Encourages production of broader lines of goods and services
4. Causes our economy to change constantly

E. Supply and demand (Assignment Sheet #4)

1. Interaction of supply and demand determines what will be produced and what prices will be charged for goods and services
2. The price charged for a good or service depends upon the availability of resources necessary to produce the items and the demand for them

INFORMATION SHEET

3. Laws of supply and demand directly affect prices

   EXAMPLES:
   - a. As demand goes up and supply stays the same, prices go up
   - b. As demand goes down and supply stays the same, prices go down
   - c. As supply goes up and demand stays the same, prices go down
   - d. As supply goes down and demand stays the same, prices go up

VII. Price in free enterprise/market systems

- A. Buying and selling is based on a price structure

  (NOTE: See laws of supply and demand, Objective VI.)

- B. Price usually reflects the worth of a good or service
- C. Prices are separated into categories

  EXAMPLES:
  1. Price--Amount charged to purchase a good or service
  2. Wages or salary--Price of labor
  3. Interest--Price to use someone else's money
  4. Rent--Price to use someone else's property

VIII. Role of profit in a free enterprise/market system (Transparency #5)

- A. Profit is the reward business people receive for doing business successfully
- B. Most businesses retain only about 4-5 cents out of each dollar of sales as profits
- C. The incentive of making a profit encourages businesses to conduct research in order to make new, better products and services
- D. Profit occurs only when business income is greater than business expenses

  (NOTE: This encourages businesses to seek new ways to reduce expenses, thereby saving energy, time, and labor costs.)

- E. Profits encourage business expansion, resulting in increased employment for the community's citizens

INFORMATION SHEET

IX. Role of government in a free enterprise/market system (Transparency #6)

- A. Government laws protect the rights of the buyer and the seller
- B. Government purchases many goods and services from private businesses
- C. Government provides assistance to businesses

  EXAMPLE: Small Business Administration
- D. Government regulates certain industries in order to protect businesses and individuals

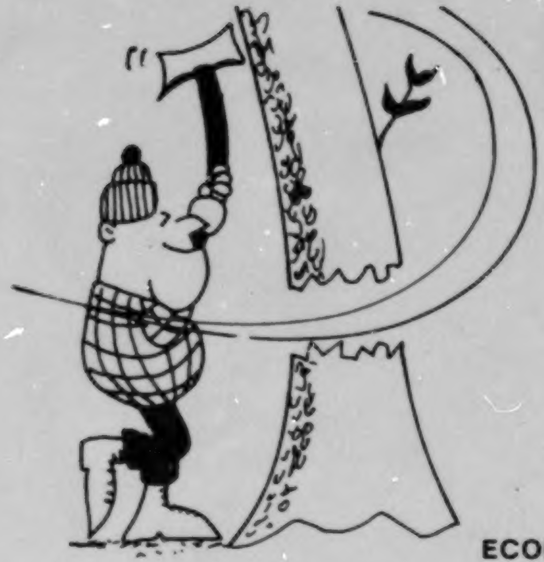
  EXAMPLES: Telephone companies, railroad companies, postal services

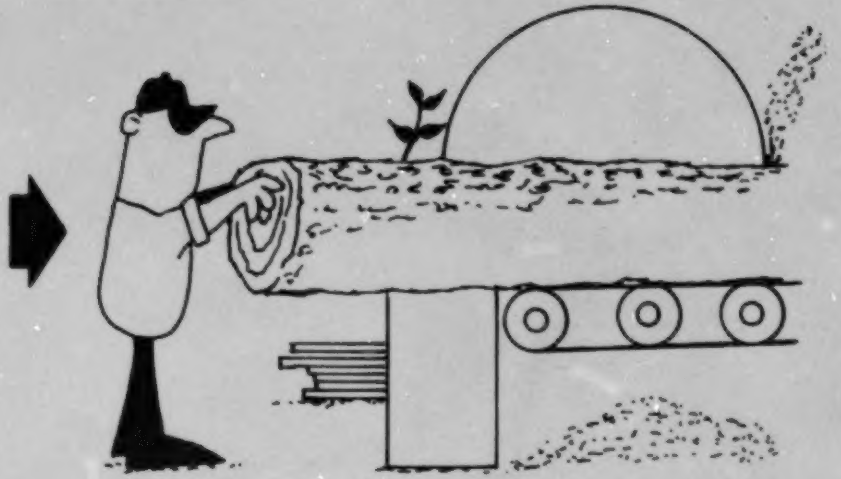
X. Characteristics of successful workers in free enterprise/market system (Transparency #7; Assignment Sheet #5)

(NOTE: It is not necessary that a person possess all these traits. On the other hand, the more traits that a person has or develops, the more successful he or she will become in a free enterprise/market system.)

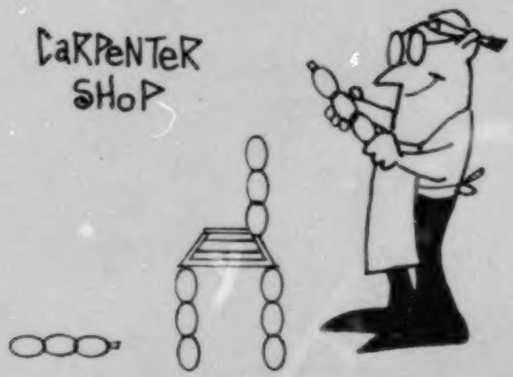
- A. Have technical skills and knowledge
- B. Able to organize
- C. Possess leadership skills
- D. Able to solve problems and make decisions
- E. Take responsibility for decisions
- F. Are enthusiastic and energetic
- G. Able to communicate and work well with people
- H. Willing to work hard and long hours
- I. Willing to take risks
- J. Have self-confidence

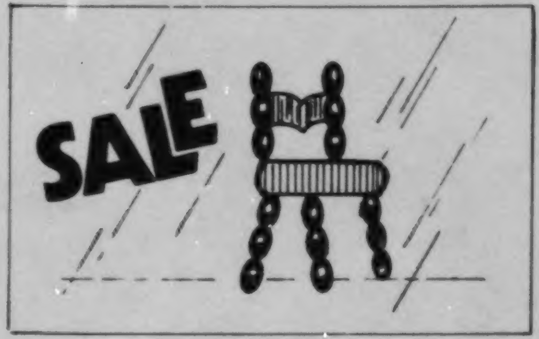
Economics





ECONOMICS: The study of how a country turns its resources into goods and services in order to satisfy its citizens.





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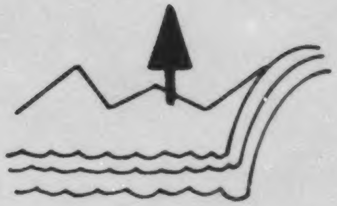
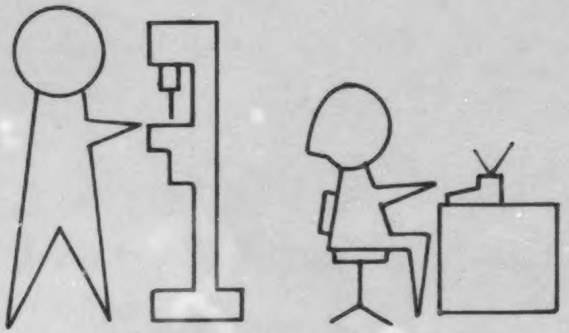
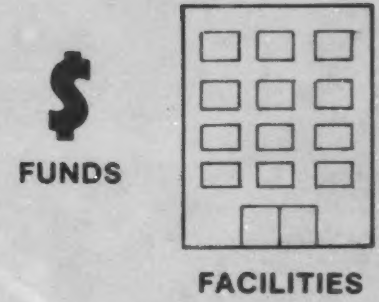
Economics Systems Use...



NATURAL RESOURCES

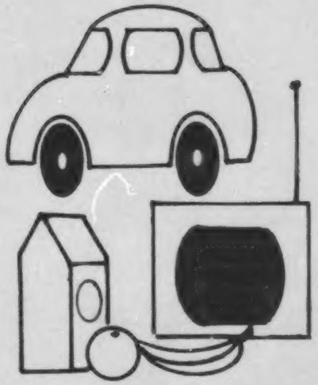


LABOR

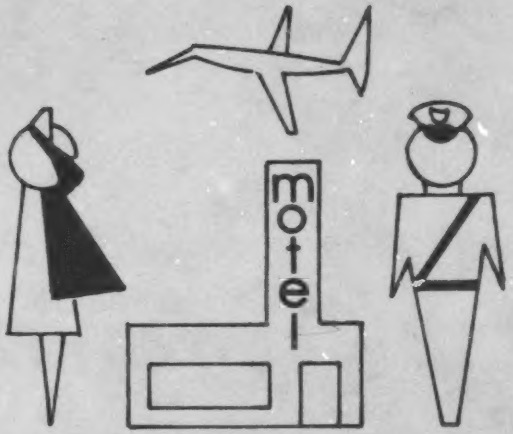

$
FUNDS
FACILITIES

CAPITAL

To Produce...



GOODS



SERVICES

TM #2

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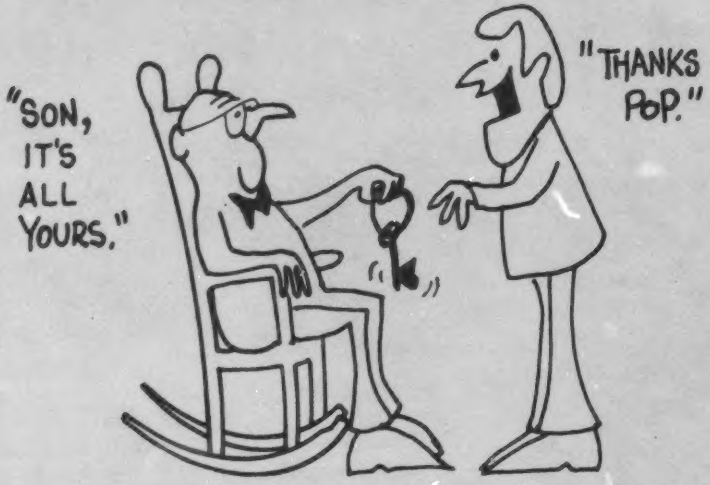
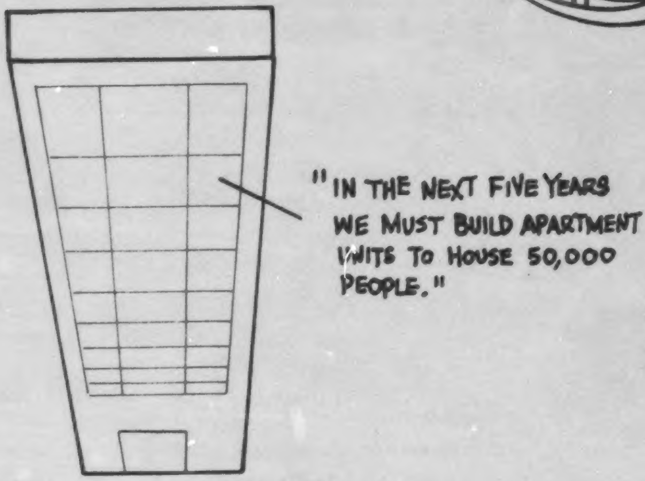
BMO - 17-A

Types of Economic Systems


"SON, IT'S ALL YOURS."
"THANKS POP."

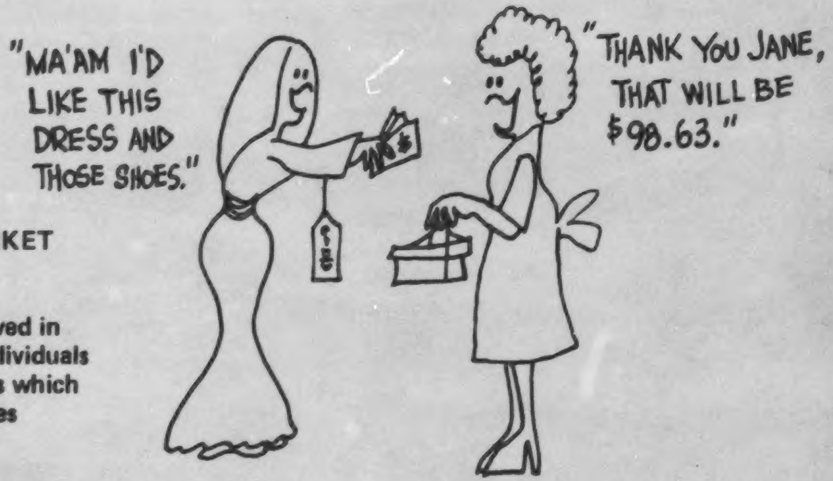
TRADITIONAL ECONOMIC SYSTEM:

Economic problems are largely solved by customs (or traditions) which reflect the cultural heritage of that society


"IN THE NEXT FIVE YEARS WE MUST BUILD APARTMENT UNITS TO HOUSE 50,000 PEOPLE."

PLANNED ECONOMIC SYSTEM:

Economic problems are solved by the government; it plans which goods and services are to be produced, how, and who will receive them


"MA'AM I'D LIKE THIS DRESS AND THOSE SHOES."
"THANK YOU JANE, THAT WILL BE $98.63."

FREE ENTERPRISE/MARKET ECONOMIC SYSTEM:

Economic problems are solved in the market place; that is individuals make independent decisions which result in voluntary exchanges

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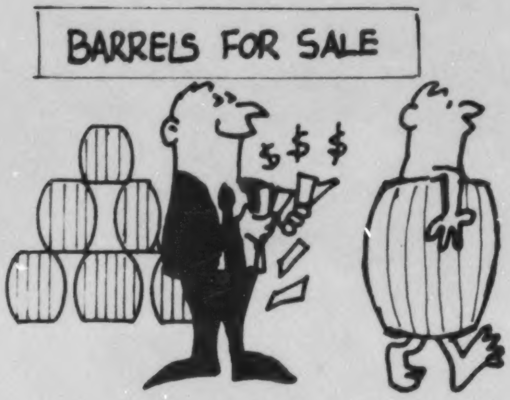
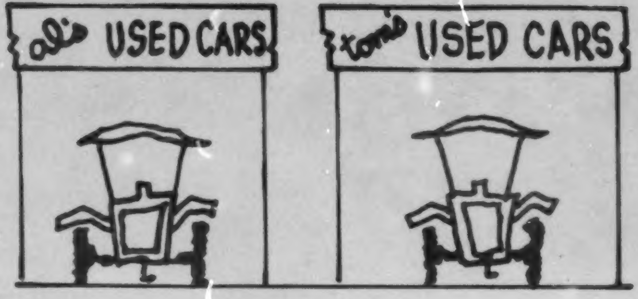
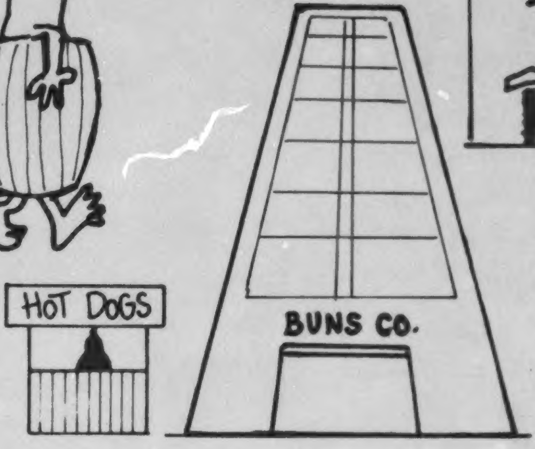
Characteristics of a Free Enterprise System


BARRELS FOR SALE
$ $ $

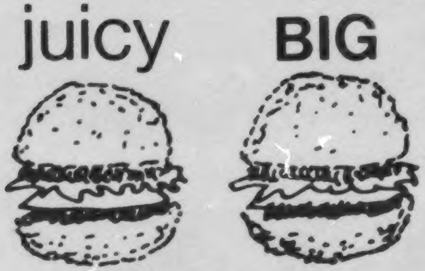
Supply & Demand


Al's USED CARS
Tom's USED CARS

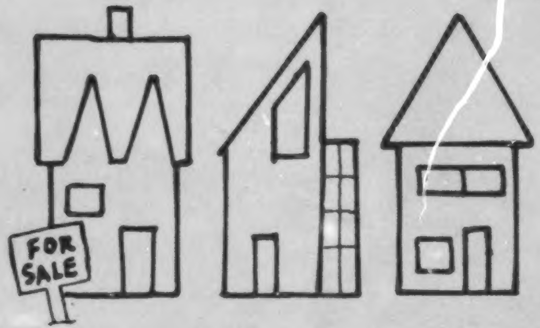
...Compete in business


HOT DOGS
BUNS CO.

Freedom to enterprise



Consumer choice



...Own property

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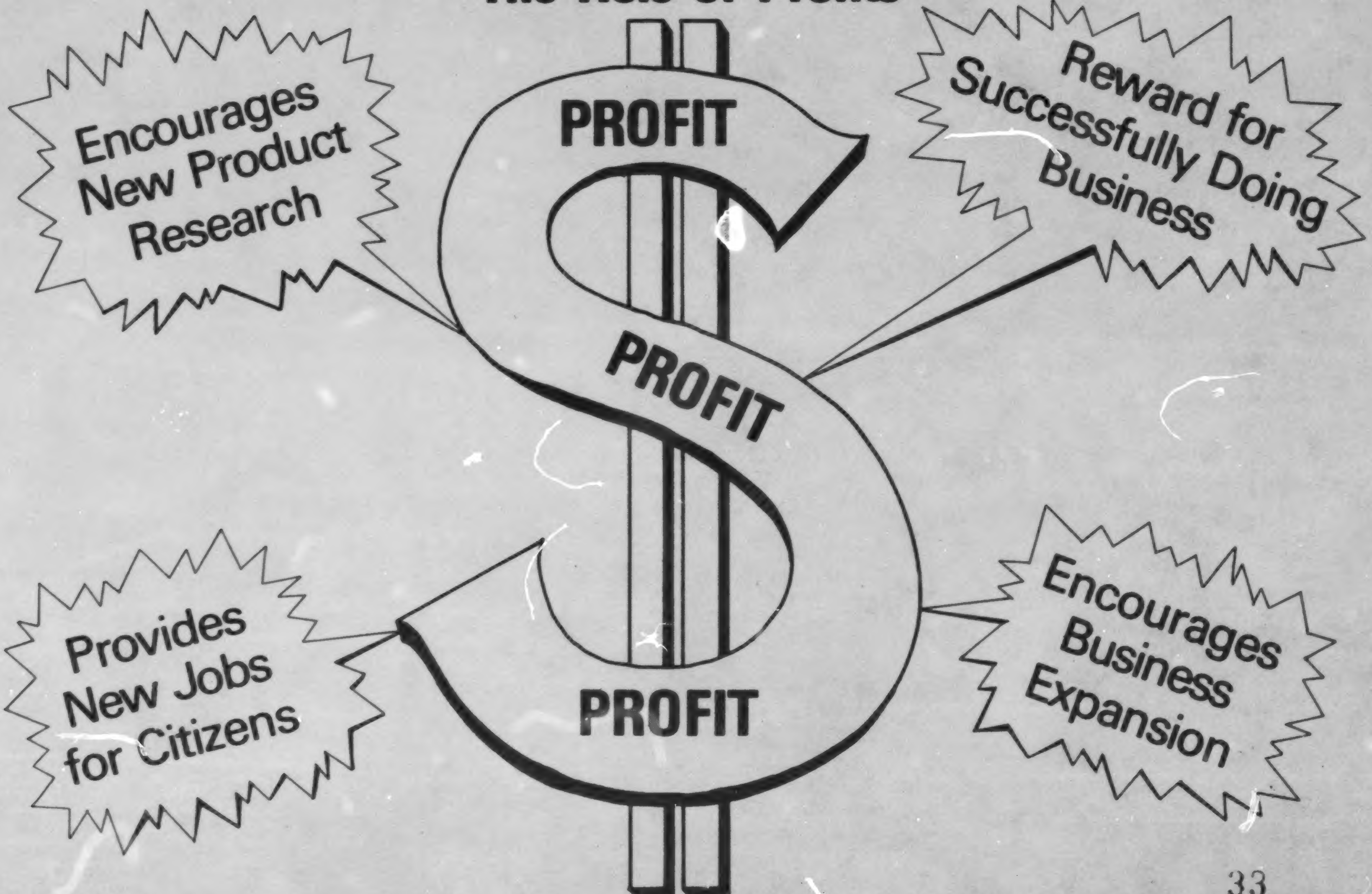
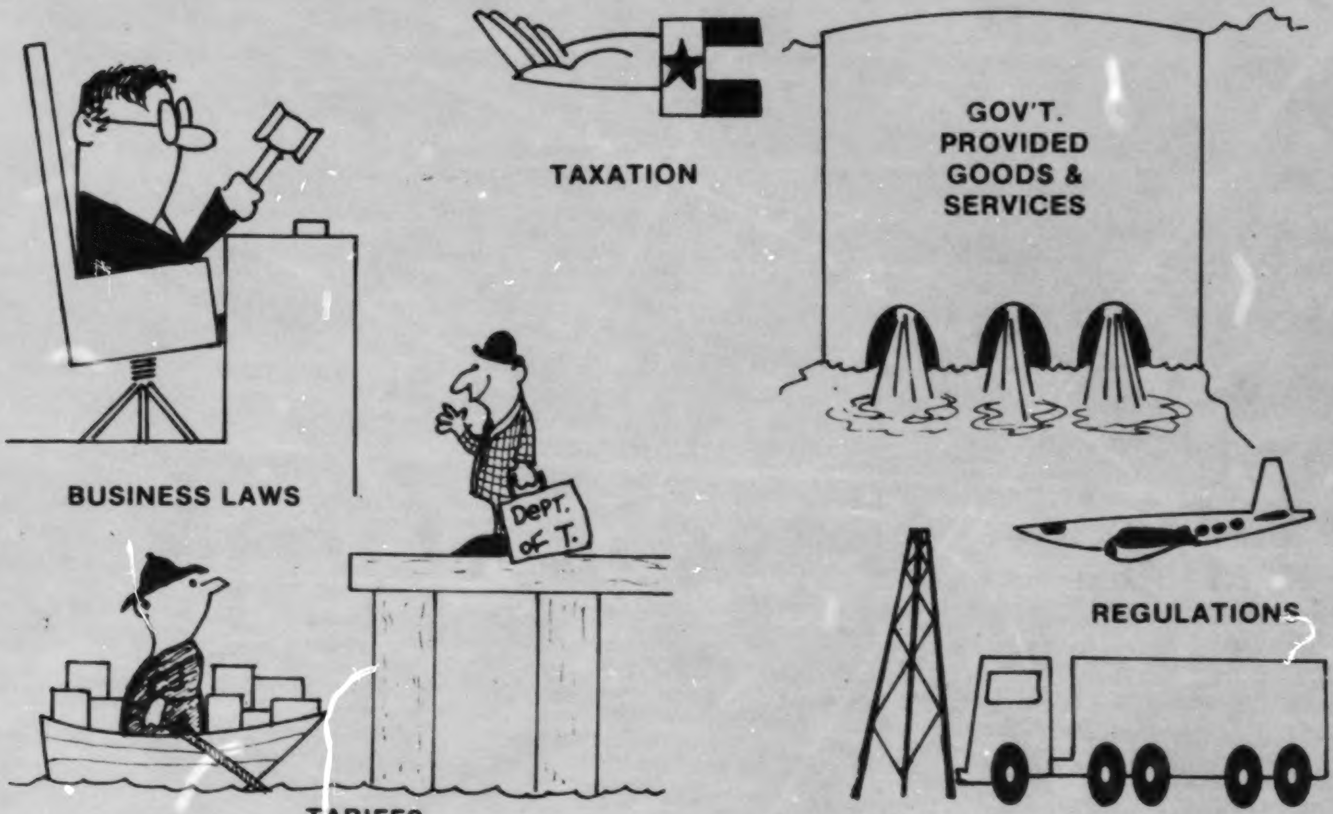
The Role of Profits


Encourages New Product Research
PROFIT
Reward for Successfully Doing Business
PROFIT
Provides New Jobs for Citizens
PROFIT
Encourages Business Expansion

Government Involvement in Free Enterprise


TAXATION
GOV'T.
PROVIDED
GOODS &
SERVICES
BUSINESS LAWS
DEPT. OF T.
REGULATIONS
TARIFFS

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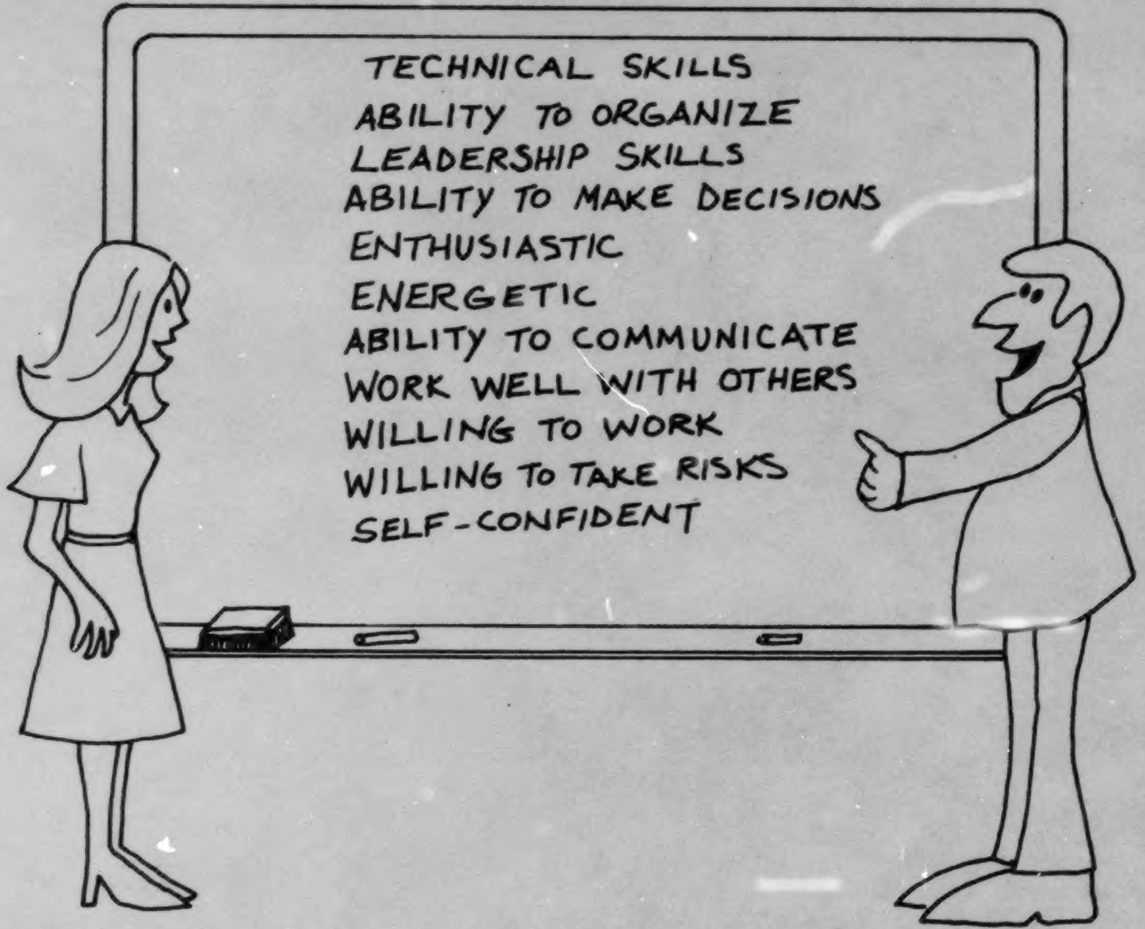
Characteristics of Successful Workers



- TECHNICAL SKILLS
- ABILITY TO ORGANIZE
- LEADERSHIP SKILLS
- ABILITY TO MAKE DECISIONS
- ENTHUSIASTIC
- ENERGETIC
- ABILITY TO COMMUNICATE
- WORK WELL WITH OTHERS
- WILLING TO WORK
- WILLING TO TAKE RISKS
- SELF-CONFIDENT

ECONOMICS AND FREE ENTERPRISE
UNIT I

ASSIGNMENT SHEET #1--DISTINGUISH AMONG FACTORS OF PRODUCTION

NAME ______________________________ SCORE ______________

Every society must produce goods and services in order to satisfy the wide variety of needs and wants of its members. In order to produce, three elements must be present: land, labor, and capital.

In this assignment sheet, you are to distinguish the factors or production by identifying which factor each resource represents. Place an "X" in the appropriate column for each response.

RESOURCE	LAND	LABOR	CAPITAL
Mental efforts used in production			
Oil			
Equipment			
Money			
Management			
Water			
Buildings			
Uranium			
Physical efforts used in production			
Natural gas			
Soil			
Tools/supplies			
Workers			
Physical property other than raw materials			
Coal			

ECONOMICS AND FREE ENTERPRISE
UNIT I

ASSIGNMENT SHEET #2--ANALYZE MAJOR POLITICAL/ECONOMIC SYSTEMS

NAME ________________________________ SCORE ______________

The three major political/economic systems in the world today are free enterprise, socialism, and communism. In each of these systems, basic economic decisions must be made in order to produce and distribute goods and services for the nations' citizens.

In this assignment sheet, you will analyze the major political/economic systems by identifying who makes the economic decisions for each system.

DECISION	FREE ENTERPRISE	SOCIALISM	COMMUNISM
Who decides what will be produced?			
Who decides how many items will be produced?			
Who decides how the goods will be distributed?			
Who owns and operates the businesses?			
How are the prices of goods/ services determined?			
Who decides which jobs an individual will have?			

ECONOMICS AND FREE ENTERPRISE
UNIT I

ASSIGNMENT SHEET #3--ANALYZE COMPETITION IN A FREE ENTERPRISE/MARKET SYSTEM

NAME ______________________________ SCORE ______________

PART I

Use the yellow pages of the telephone book to determine the number of business firms competing for the consumers' dollars for the following goods and services.

A. Your occupational area

B. Day nurseries/child care centers

C. Apartment rentals

ASSIGNMENT SHEET #3

D. Income tax services

E. Automobile dealers (new)

F. Telephone companies

G. Medical services

ASSIGNMENT SHEET #3

PART II

Analyze the information collected by the survey to answer the following questions.

A. Which area of business has the most competition for the consumers' dollars?________

____

Explain your answer:______________________________

____

____

____

B. How does the area of business with the most business firms in operation demonstrate the free market system?______________________________

____

____

____

C. How does the operation of the business firms identified by the survey demonstrate profit motivation?______________________________

____

____

____

D. How does the operation of the business firms identified by the survey demonstrate the use of private property?______________________________

____

____

____

ECONOMICS AND FREE ENTERPRISE
UNIT I

ASSIGNMENT SHEET #4--ANALYZE SUPPLY AND DEMAND IN A FREE ENTERPRISE/MARKET SYSTEM

NAME____________________ SCORE __________

PART I

Using the flow chart for the production of goods and services in the free enterprise system and the Information Sheet, answer each of the following questions. Mark an "X" by the correct answer.

A. If the consumer's demand for goods and services increases and the manufacturers produce more goods and services, the manufacturers' demand for production resources will:

_____1. Increase

_____2. Decrease

_____3. Not change

B. If particular industries demand more production resources and the suppliers supply more, payment to consumers for resources will:

_____1. Increase

_____2. Decrease

_____3. Not change

C. If the consumers' demand for goods and services increases, the amount of goods and services produced by business/industry will probably:

_____1. Increase

_____2. Decrease

_____3. Not change

D. If the manufacturers begin to pay less for production resources, then the amount supplied by suppliers will:

_____1. Increase

_____2. Decrease

_____3. Not change

ASSIGNMENT SHEET #4

E. If particular industries produce fewer goods and services and consumers demand equally fewer goods and services, the cost paid by consumers for goods and services will:

______1. Increase

______2. Decrease

______3. Not change

F. If suppliers begin to provide more production resources while business demand for production resources remains the same, the amount business pays for resources will:

______1. Increase

______2. Decrease

______3. Not change

PART II

In this unit you have learned that when the price of a commodity increases, the number of people who buy that commodity at the price asked will ordinarily decrease. In an attempt to deal more thoroughly with this idea, prepare three lists of items: (a) things people will buy with almost no regard for price, (b) things people will tend not to buy if prices are sharply increased, and (c) things people will stop buying if substantial price increases go into effect.

Things People will Buy with Almost No Regard for Price	**Things People will Tend not to Buy if Prices are Sharply Increased**	**Things People will Stop Buying if Substantial Price Increases Go Into Effect**

ASSIGNMENT SHEET #4

PART III

Study the three lists you have prepared. In general terms, describe the items in each list. What conclusions can you reach regarding the relationships of prices, demand for various products, and the nature of people's needs?

ECONOMICS AND FREE ENTERPRISE
UNIT I

ASSIGNMENT SHEET #5--FORM OPINIONS ABOUT THE ROLES PLAYED BY INDIVIDUALS IN A FREE ENTERPRISE/MARKET SYSTEM

NAME ______________________________ SCORE ________________

The free enterprise system in the United States is a fundamental part of our daily lives. It reflects our national ideals and it influences our levels of living. A basic understanding of our free enterprise economic system is essential to our development as producers (workers), consumers (users), and citizens (voters).

In this assignment, you will answer several questions in an effort to establish your personal opinions about the free enterprise/market system. You may interview a successful business person in order to answer the questions in Parts I, II, and III.

PART I--ROLE AS A WORKER

There are over 100 million people employed in 35,500 different job titles in the United States annually. U.S. citizens have the right to study, select and pursue the career of their choice in light of their interests and talents. In this part of the assignment you will be trying to get a grip on the importance of the "worker role" in the free enterprise system.

A. Can we expect all citizens to be productive workers? Why or why not? __________

B. Why is it important to explore/prepare for career opportunities while still in high school? __________

ASSIGNMENT SHEET #5

C. What would the effect on individual and economy be when a person selects a job/career that will not make the most of his or her abilities?

D. What do you think about the following statement? "Productivity is the key to prosperity. We often ignore the contributions of well-trained workers, good management, and modern machines in productivity."

E. What do you think about the following statement? "The life of the typical business firm is relatively short; only one in five survives 10 years; competition eliminates the less efficient."

ASSIGNMENT SHEET #5

PART II--ROLE AS A CONSUMER

As consumers we are concerned with obtaining and using the economic goods/services that will satisfy our wants and needs. Most of us work and earn money so that goods/ services that we need and want can be purchased. In this part of the assignment you will be trying to establish the importance of the "consumer role" in the free enterprise system.

A. Most individuals do not have sufficient income or wealth to provide all of the goods and services they would like. Why does this fact make the free enterprise system work?

B. How and why do an individual's wants sometimes change?

C. What is meant by the statement, "Consumer is king"?

D. How do consumers benefit from the American production system?

ASSIGNMENT SHEET #5

PART III--ROLE AS A CITIZEN

One of the most important rights and responsibilities in a democratic society is to elect into public office those officials who will act best for us in collective decision-making. As citizens we have a vital stake in the economic decisions that are made for the nation as a whole. In this part of the assignment you will be trying to define the importance of the "citizen role" in the free enterprise system.

(NOTE: Collective decision-making takes place when society as a whole, rather than as individuals, makes an economic/political decision. Voting on election day is our way of taking part in collective decision-making.)

A. What is required to register as an eligible voter in this city, state, and nation?

B. What explanations could be given for the poor voting record of many Americans and of 18-20 year-olds?

C. What may account for those voters with 12 or more years of education having the best voting record?

D. What are some things individuals can do to benefit themselves and society without costly, collective decision-making actions?

ASSIGNMENT SHEET #5

PART IV--WORKER, CONSUMER, CITIZEN

Being a worker, consumer, and citizen in a free enterprise system is a complex matter. Use the space below to write your opinions about your "multi-roles" in a free enterprise system and how you think you can draw the most benefits from the three closely related roles.

ECONOMICS AND FREE ENTERPRISE
UNIT I

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

A. Labor
B. Land
C. Capital
D. Capital
E. Labor
F. Land
G. Capital
H. Land
I. Labor
J. Land
K. Land
L. Capital
M. Labor
N. Capital
O. Land

Assignment Sheet #2

DECISION	FREE ENTERPRISE	SOCIALISM	COMMUNISM
Who decides what will be produced?	Consumers, by casting "votes"	Government	Government
Who decides how many items will be produced?	Consumers, by casting "votes" in the marketplace	Government	Government
Who decides how the goods will be distributed?	Private business and industry	Government	Government
Who owns and operates the businesses?	Private individuals	Government; a few private individuals	Government
How are the prices of goods/services determined?	Competitively	Government	Government
Who decides which jobs an individual will have?	Individuals choose	Individuals choose	Government assigns jobs

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #3--Evaluated to the satisfaction of the instructor

Assignment Sheet #4

PART I

A. Increase

B. Increase

C. Increase

D. Decrease

E. Not change

F. Decrease

PART II--Evaluated to the satisfaction of the instructor

PART III--Evaluated to the satisfaction of the instructor

Assignment Sheet #5--Evaluated to the satisfaction of the instructor

ECONOMICS AND FREE ENTERPRISE
UNIT I

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with economics and free enterprise to the correct definitions. Write the correct numbers in the blanks provided. Terms and definitions are continued on the next page.

______a. Physical and mental tasks that are performed by people in order to produce and distribute goods and services

______b. Study of ways a country turns its resources into goods and services in order to satisfy its citizens

______c. Money, buildings, machinery, and investments that are used or available to make products or services

______d. Movement of goods throughout the marketing system

______e. Extension of payment for goods and services after delivery

______f. Economic system characterized by freedom of the market to make economic decisions; promotes private ownership of businesses and promotes private control of means of production

______g. Quantity of a good or service that consumers are willing and able to buy at a specific time and price

______h. Marketing-centered political/economic system which encourages as little government intervention and control as possible

______i. Political/economic system totally controlled by the government

______j. Political system in which the people select their government representatives

______k. Group of people who are willing and able to purchase goods and services at a given price

______l. People with the authority and ability to make business decisions

______m. Taking a chance in any activity; in business, taking a chance that the owner will make a profit

1. Capital
2. Capitalism
3. Communism
4. Credit
5. Demand
6. Democracy
7. Distribution
8. Economics
9. Free enterprise
10. Labor
11. Management
12. Market
13. Risk

TEST

_____n. Efficiency with which we use our resources: manpower, facilities, and raw materials; getting the most out of every dollar invested

_____o. System of business activities that directs the flow of goods and services from producer to consumer

_____p. Economic reward for filling the needs and wants of consumers; return received by a business after all operating expenses have been paid

_____q. Land, minerals, oil, and water necessary to produce goods and services

_____r. Giving up known quality in one product or service in order to purchase a similar product or service at a lower price

_____s. Situation brought about when there are not enough goods or services to satisfy the need or desire for them

_____t. Planned political/economic system in which all of the people own the natural resources and channels of distribution; not profit oriented; everyone works for the good of the nation as a whole

_____u. Quantity of a product or service that producers are willing and able to make available for sale at a given price and time

_____v. Federal agency established to assist small businesses with planning, operations, and obtaining loans

14. Natural resources
15. Productivity
16. Profit
17. Marketing
18. Scarcity
19. Small Business Administration (SBA)
20. Socialism
21. Supply
22. Trade-off

2. Select from the following list common characteristics of all economic systems. Write an "X" in the blank before each correct answer.

_____a. The amount of goods or services a producer is willing to sell is called *demand*

_____b. Every society produces goods and services

_____c. Scarcity forces all societies to decide what to produce, how to produce, and how to distribute goods and services to its citizens

_____d. Every nation has limited natural resources

_____e. In every society people must work

TEST

_____f. Every society has unlimited wants

_____g. Every society answers its economic-decision questions in the same manner

3. List the factors of production and one example of each.

a. ____

b. ____

c. ____

4. Distinguish among characteristics of the major political/economic systems as described in each statement below. Write a "T" for traditional system; a "PS" for planned socialism; a "PC" for planned communism; or an "FM" for free enterprise/market system. Some statements may have more than one correct answer.

_____a. Most of the people work for the government; few may own their own businesses

_____b. Found in nonindustrial societies; generally agrarian cultures

_____c. Everyone works for the government, as directed by the government

_____d. Businesses are operated by individuals in order to earn a profit for the owners

_____e. These systems usually operate under a democratic form of government

_____f. Government owns and operates all major resources, means of production and channels of distribution

_____g. Economic decisions are solved by customs, not by how productive each citizen may be

_____h. All people within the society own the major resources, means of production and channels of distribution; therefore, the government usually controls production and distribution

_____i. Consumers make production decisions based upon which goods and services they are willing to purchase

_____j. Individuals decide in which jobs they want to work and receive training as they wish

_____k. Government structure follows autocratic or dictatorial methods

_____l. Found in many industrial societies

_____m. Economic decisions are solved by a government planning board or committee

_____n. Businesses are operated to serve the public, not to earn profit for individuals

TEST

______o. Citizens may choose the work they want, but the government sets the rate of pay for all workers

______p. Businesses are operated to serve the government

______q. The government decides who will take on which jobs, and citizens are trained according to the jobs assigned

______r. The countries have extensive social welfare programs

______s. Has grown rapidly since pre-World War II days

______t. Individuals own the natural resources, means of production, and channels of distribution

______u. Government structure follows either socialist or communist policies

5. On the lines provided below, list two types of economic decisions made in a market economy.

a. ____

b. ____

6. Discuss the primary features of a free enterprise/market system.

a. Freedom to enterprise

____

____

____

b. Ownership of property

____

____

____

c. Consumer choice

____

____

____

TEST

d. Competition

____

____

____

e. Supply and demand

____

____

____

7. Select from the following list true statements about price in free enterprise/market systems. Write an "X" in the space before each correct answer.

_____a. All prices are controlled by the government

_____b. Buying and selling is based on a price structure

_____c. Sellers do not pay attention to current buying trends when establishing a price for their products

_____d. Price usually reflects the worth of a good or service

_____e. Prices are separated into categories

8. Discuss the role of profit in a free enterprise/market system.

____

____

____

____

____

9. Discuss the role of government in a free enterprise/market system.

____

____

____

____

____

TEST

10. Select from the followin list characteristics of successful workers in a free enterprise/market system. Write an "X" in the blank before each correct answer.

_____a. Have technical skills and knowledge

_____b. Able to organize

_____c. Possess leadership skills

_____d. Ignore suggestions

_____e. Able to communicate and work well with people

_____f. Procrastinate whenever possible

_____g. Able to solve problems and make decisions

_____h. Have self-confidence

_____i. Willing to work hard and long hours

_____j. Become anxious about getting the job done

_____k. Willing to take risks

_____l. Are enthusiastic and energetic

_____m. Take responsibility for decisions

(NOTE: The assignment sheets are an important part of this unit. They are listed as test questions 11, 12, 13, 14, and 15. If they have not been completed before the test, check with your instructor.)

11. Distinguish among factors of production.

12. Analyze major political/economic systems.

13. Analyze competition in a free enterprise/market system.

14. Analyze supply and demand in a free enterprise/market system.

15. Form opinions about the roles played by individuals in a free enterprise/market system.

ECONOMICS AND FREE ENTERPRISE
UNIT I

ANSWERS TO TEST

1. a. 10
   b. 8
   c. 1
   d. 7
   e. 4
   f. 2
   g. 5
   h. 9
   i. 3
   j. 6
   k. 12
   l. 11
   m. 13
   n. 15
   o. 17
   p. 16
   q. 14
   r. 22
   s. 18
   t. 20
   u. 21
   v. 19

2. b, c, d, e, f

3. a. Land or natural resources--Example may include soil, trees, plants, water, minerals, or any other as accepted by the instructor

   b. Labor--Example may include all of the physical and/or mental efforts that people contribute to producing goods and services, or any other as accepted by the instructor

   c. Capital--Example may include money, buildings, machinery, technology, and investments that are used to make products or services or any other as accepted by the instructor

4. a. PS
   b. T
   c. PC
   d. FM
   e. FM
   f. PC
   g. T
   h. PS
   i. FM
   j. FM
   k. T
   l. PC, PS
   m. PC, PS
   n. PS
   o. PS
   p. PC
   q. PC
   r. PS
   s. PC
   t. FM
   u. PS, PC

5. a. Government decisions
   b. Consumer decisions

ANSWERS TO TEST

6. Discussion should include

   a. Freedom to enterprise

      1) Individuals have the right to start, operate, and end their own businesses

      2) Individuals must accept risk when they open a business

      3) Individuals have the right to earn a profit and invest or spend it as they choose

   b. Ownership of property

      1) Individuals have the right to own and sell their personal property

      2) People tend to take better care of property when they own it

      3) Because property ownership is shared by so many, there is less likelihood of one person or one group gaining absolute power

   c. Consumer choice

      1) Individuals are free to buy goods and services or to save their money as they choose

      2) Consumers make trade-offs in the marketplace every day

   d. Competition

      1) Limits price that a business can effectively charge for its goods and services

      2) Encourages better quality merchandise and broader services within the businesses' operations

      3) Encourages production of broader lines of goods and services

      4) Causes our economy to change constantly

   e. Supply and demand

      1) Interaction of supply and demand determines what will be produced and what prices will be charged for goods and services

      2) The price charged for a good or service depends upon the availability of resources necessary to produce the items and the demand for them

      3) Laws of supply and demand directly affect prices

7. b, d, e

ANSWERS TO TEST

8. Discussion should include
   a. Profit is the reward business people receive for doing business successfully
   b. Most businesses retain only about 4-5 cents out of each dollar of sales as profits
   c. The incentive of making a profit encourages businesses to conduct research in order to make new, better products and services
   d. Profit occurs only when business income is greater than business expenses
   e. Profits encourage business expansion, resulting in increased employment for the community's citizens
9. Discussion should include
   a. Government laws protect the rights of the buyer and the seller
   b. Government purchases many goods and services from private businesses
   c. Government provides assistance to businesses
   d. Government regulates certain industries in order to protect businesses and individuals
10. a, b, c, e, g, h, i, k, l, m
11. Evaluated to the satisfaction of the instructor
12. Evaluated to the satisfaction of the instructor
13. Evaluated to the satisfaction of the instructor
14. Evaluated to the satisfaction of the instructor
15. Evaluated to the satisfaction of the instructor

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

UNIT OBJECTIVE

After completing this unit, the student should be able to use the information in order to become a more productive citizen in a modified free enterprise system. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with economics of modified free enterprise to the correct definitions.
2. Select from a list major characteristics of the modified free enterprise system.
3. Match economic goals of the American people to the correct definitions.
4. Discuss the functions of government in a modified free enterprise system.
5. Select from a list factors of price that influence the economy.
6. Define the function of supply and demand.
7. Describe factors which cause elasticity of demand.
8. Select from a list factors which cause inflation.
9. Interpret price factors that influence the economy.
10. Analyze a supply and demand schedule.
11. Distinguish between elastic and inelastic goods and services.

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order films, games, and resource materials for unit.

1. *Laws*. Color, 19 minutes, B.I.E., Inc. Available on a free-loan basis from B.I.E., Inc., Little Rock, Arkansas 72201.

   (NOTE: This film discusses the growth of government spending, regulation and intervention in the U.S. economy.)

2. *Cycles*. Color, 20 minutes, B.I.E., Inc. Available on a free-loan basis from B.I.E., Inc., Little Rock, Arkansas 72201.

   (NOTE: This film explains the causes of inflation, recession, and reasons our economy has grown at an unsteady rate.)

3. American Enterprise (Series of 5 films: *Government, Innovation, Land, Organization, People*). Color, each film 30 minutes, Modern Talking Pictures Service. Available on a free-loan basis from Modern Talking Pictures Service, 4705-F Bakers Ferry Road SW, Atlanta, Georgia 30336.

   (NOTE: These films describe the contributions of government, innovation, land, organization, and people to the American free enterprise system. Teaching materials are available.)

B. Provide students with objective sheet.

C. Provide students with information and assignment sheets.

D. Discuss unit and specific objectives.

E. Discuss information and assignment sheets.

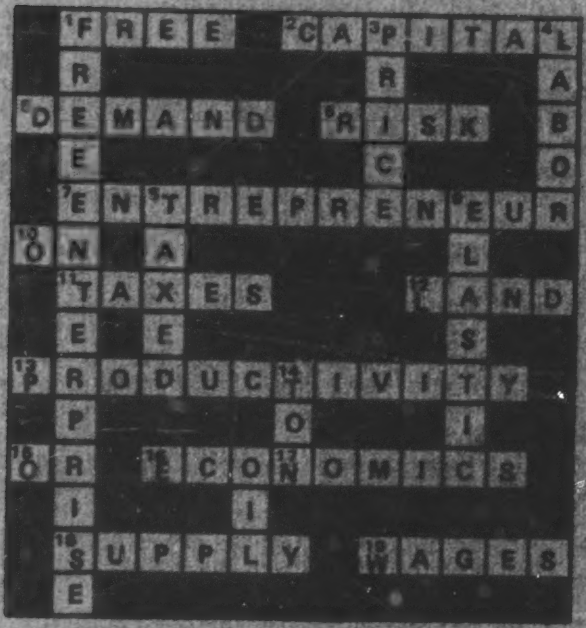
F. Arrange for a state senator or representative from your district to speak on the role of government in our economy.

(NOTE: Be sure to allow time for a question-and-answer period.)

SUGGESTED ACTIVITIES

G. Provide students with crossword puzzle to review terms and definitions for section A.

(NOTE: Student crossword puzzle is at the end of suggested activities.)


1 FREE
2 CAPITAL
3 PRICE
4 LABOR
5 DEMAND
6 RISK
7 ENTREPRENEUR
8 TAXE
9 ELASTIC
10 ON
11 TAXES
12 LAND
13 PRODUCTIVITY
14 TO
15 OR
16 ECONOMICS
17 NI
18 SUPPLY
19 WAGES
FREE ENTERPRISE

H. Give test.

I. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Assignment sheets

1. Assignment Sheet #1--Interpret Price Factors that Influence the Economy

SUGGESTED ACTIVITIES

2. Assignment Sheet #2--Analyze a Supply and Demand Schedule

3. Assignment Sheet #3--Distinguish between Elastic and Inelastic Goods and Services

E. Answers to assignment sheets

F. Test

G. Answers to test

III. Unit references

A. Broom, H.N., and Justin G. Longenecker. *Small Business Management*. Cincinnati: South-Western Publishing Co., 1979.

B. Nelson, Frank W. *Group Instruction for Cooperative Programs*. Stillwater: Oklahoma State Department of Vocational and Technical Education/ Curriculum and Instructional Materials Center, 1978.

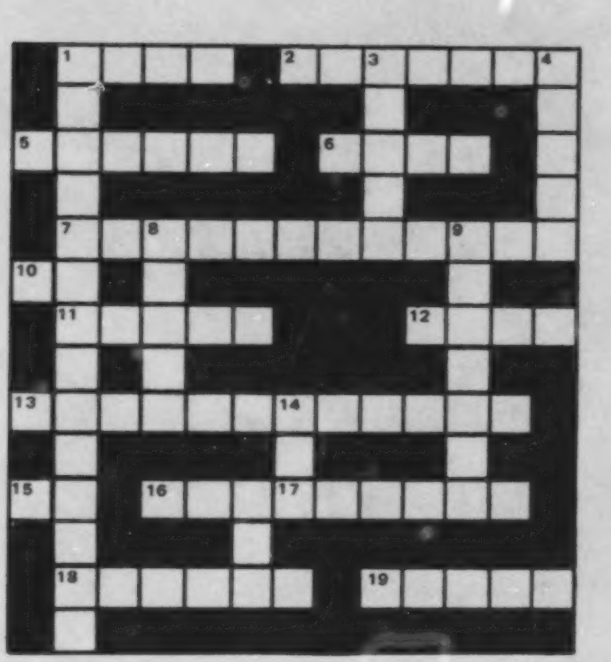
C. Wyllie, Eugene D., and Roman F. Warmke. *Free Enterprise in the United States*. Cincinnati: South-Western Publishing Co., 1980.

SUGGESTED ACTIVITIES

COMPLETE CROSSWORD PUZZLE ON ECONOMICS OF MODIFIED FREE ENTERPRISE

NAME________________________________ SCORE ______________

In order to realize your total potential as a productive worker in a modified free enterprise system, you should be able to discuss points of free enterprise with others. Therefore, knowledge of basic concepts is important. Complete this crossword puzzle on economics of the free enterprise system as a review of terms and definitions, and other economic concepts. Clues are on the next page.



SUGGESTED ACTIVITIES

Down

1. Another name for a market-centered economy which encourages as little government intervention and control as possible is ________ ________.
3. Amount charged to purchase a good or service is called ________
4. The physical and mental tasks that are performed by people in order to produce goods and services are called ________.
8. Individuals and businesses are ________ by the government.
9. A change in price for a good or service that causes considerable change in the quantity that consumers will buy is called ________ demand.
14. 2,000 pounds is known as a ________
17. ________ is one example of a natural resource.

Across

1. Consumers are ________ to make choices among products and services
2. All money, equipment, buildings and investments that are used to operate a business are called ________.
5. The amount of goods and services that consumers are willing and able to purchase is called ________.
6. Taking a chance in any activity is known as ________.
7. A French word for "enterpriser" is ________.
10. Laws of supply and demand are easily plotted ________ graphs.
11. Individuals pay ________ to cover government expenses.
12. Another word for natural resources is ________.
13. Getting the most out of every dollar invested is ________.
15. Consumers may choose brand X they may prefer brand Y. ________
16. The study of how a nation turns its natural resources into goods and services in order to satisfy its citizens is called ________.
18. The amount of a good or service that a producer is willing to make available for sale is called ________.
19. The price of labor is known as ________ or salary.

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

INFORMATION SHEET

I. Terms and definitions

A. Collective buying decision--Effect that all consumers, together, have on the demand for a product or service

(NOTE: This is also called "economic vote.")

B. Elastic demand--Change in the price for a good or service which causes a considerable change in the quantity that consumers are willing to buy

C. Elasticity of demand--Effect that a change in the selling price for a good or service has on the total quantity that consumers are willing to buy

D. Entrepreneur--French word meaning "enterpriser;" a person who owns his or her own business

E. Equilibrium--Point at which the supply curve crosses the demand curve; the quantity that will be produced and made available for sale and the price that will be charged for the good or service, allowing no surplus or shortage in supply

F. Gross National Product (GNP)--Total value of goods and services produced by a country in one year

G. Inelastic demand--Change in the price for a good or service which does not cause a considerable change in the quantity consumers will buy

H. Inflation--General increase in prices

I. Modified free enterprise--Economic system which provides for a great deal of consumer and business independence, but allows for some government intervention in economic matters

J. Monopoly--Business which is the only producer of a good or service; one which has no competition

K. Regulate--To control activity within the economic system

L. Recession--Slowdown in gross national product which continues for six months or longer

M. Tax--Amount assessed each business and individual in order to pay for government services and operations

INFORMATION SHEET

II. Major characteristics of the modified free enterprise system

- A. Federal, state, and local governments influence ways factors of production will be used
- B. Desire for profit is the primary motive for businesses to operate
- C. Competition promotes efficient methods of production and improvements in goods and services
- D. Existence of some monopolistic businesses is permitted by law
- E. Consumer choice determines the type and quantity of goods and services produced
- F. Freedom of choice for employment and the right to own property are granted by law

III. Economic goals of the American people

(NOTE: In a modified free enterprise system, people are free to determine their own goals. People set their own goals and use the factors of production to fulfill their wants and needs. People have individual wants and needs; but, in general, Americans have certain economic goals.)

- A. Economic freedom--Freedom of individuals to make economic decisions and to become entrepreneurs as they choose

  EXAMPLES: Freedom to start a business, buy a new car, add a room onto a house, put money into a savings account or spend it

- B. Economic efficiency--Factors of production are used in the most efficient/productive manner
- C. Economic growth--Expectations for an ever-increasing standard of living

  EXAMPLES: Better medical care, housing, clothing, education, highways, salaries, police protection

- D. Economic stability--Desire to avoid fluctuations in the economy, such as inflation, recession, and depression
- E. Economic security--Desire to have a guaranteed minimum standard of living

  EXAMPLES: Social Security, government work programs, unemployment compensation insurance, price supports, welfare benefits, food stamps

- F. Economic justice--Distribution of the nation's wealth is based on each individual's productivity

  EXAMPLE: A fair day's wage for a fair day's work

INFORMATION SHEET

IV. Functions of government in a modified free enterprise system

(NOTE: Government pays for the factors of production used in its production and delivery of goods and services by collecting taxes from businesses and individuals.)

A. Government produces and consumes goods and services

1. Federal government provides military defense, national parks and recreational facilities, interstate highways, Social Security, postal service, and health care

2. State government provides state and interstate highways, educational facilities, state parks and recreational facilities, state police protection, assistance to the disadvantaged and handicapped

3. Local government provides streets, water and sewage facilities, police and fire protection, libraries, schools, parks, and recreational facilities

B. Government regulates and protects businesses and individuals

1. Goods and services are regulated and inspected

EXAMPLES: Federal Trade Commission, Environmental Protection Agency, Food and Drug Administration, Public Utilities Commission, Occupational Safety and Health Act, Building Codes

2. Employment standards are established and enforced

EXAMPLES: National Labor Relations Board, Equal Employment Opportunity Commission, Wage and Salary Administration

3. Businesses are regulated in order to control monopolies and unfair business practices

EXAMPLES: Securities and Exchange Commission, Federal Communications Commission, Federal Reserve Board, State Corporation Commission

V. Factors of price that influence the economy (Assignment Sheet #1)

A. Allocation of scarce resources is determined by price

EXAMPLE: If a producer is given 10,000 gallons of crude oil with which to produce either gasoline or kerosene, and if gasoline sells for $1.15 per gallon while kerosene sells for $.90 per gallon, the producer will probably use the crude oil to produce gasoline, providing the cost to produce both products is equal

INFORMATION SHEET

B. Price of goods and services determines what consumers are able to buy

EXAMPLE: A consumer who has an income of $25,000 per year will probably not be able to buy a $50,000 automobile

C. Price determines what will be produced by showing what goods and services are profitable to business

EXAMPLE: The price of wheat is $3.75 per bushel, and it costs the farmer $4.25 per bushel to produce the wheat. Wheat is not a profitable product for the farmer to produce, so the farmer will have to consider producing another product such as corn or oats

D. Methods of production for a good or service are determined by price

EXAMPLE: If a home contractor can use a less expensive grade of lumber to build a home and the consumer agrees, the contractor can reduce the cost of the home to the buyer

E. Collective buying decisions of consumers determine the price for goods and services

EXAMPLE: The cost of a gallon of gasoline has risen sharply since the mid-1970's. This has created a demand for automobiles that provide better gas mileage. This demand has caused the price and supply of compact automobiles to rise rapidly. The price of larger, low-gasoline-mileage automobiles has also increased, but at a much lower rate

INFORMATION SHEET

VI. Function of supply and demand (Assignment Sheet #2)

A. Supply--Quantity of a good or service that producers are willing and able to make available to consumers at a specific price and time

(NOTE: Supply schedules and supply curves are two ways of showing supply information graphically.)

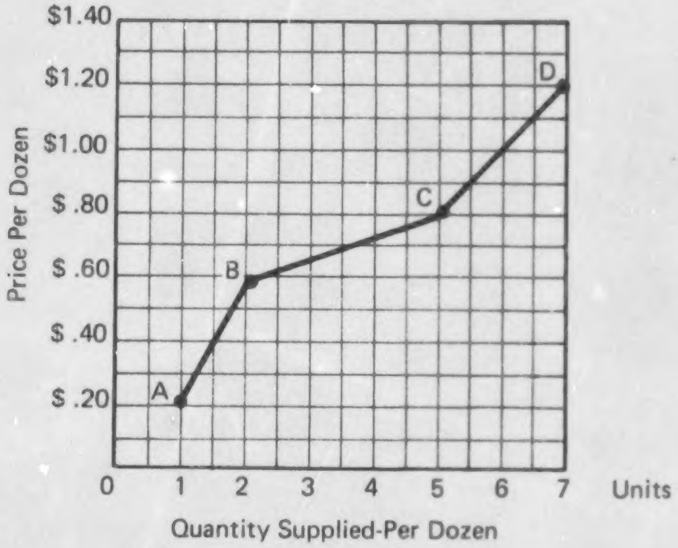
EXAMPLE:

SUPPLY SCHEDULE

Price of Eggs (per dozen)	Quantity of Eggs Supplied at that Price (per dozen)	Points on Supply Curve
$ .20	1	A
$ .60	2	B
$ .80	5	C
$1.20	7	D

Supply schedules show how many units will be produced and offered for sale at a given price. Information shown on the supply schedule is used to establish a supply curve.

SUPPLY CURVE



Supply curve is used as a visual presentation of a supply schedule. Points on the supply curve are located by use of a supply schedule. Price is always shown on the vertical axis; quantity is always shown on the horizontal axis. Supply is always graphed as an *up-sloping line* because production increases as price goes up.

INFORMATION SHEET

B. Demand--Quantity of a good or service that consumers are willing and able to buy at a specific price and time

(NOTE: Demand schedules and demand curves are two ways of showing demand information graphically.)

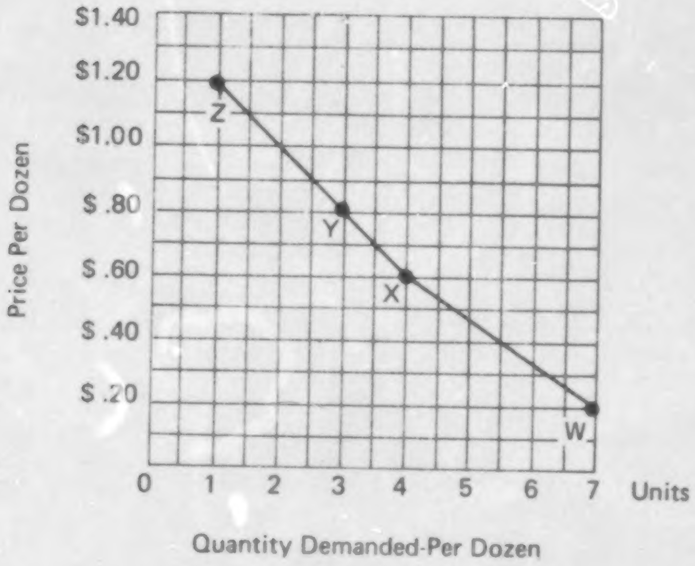
EXAMPLE:

DEMAND SCHEDULE

Price of Eggs (per dozen)	Quantity of Eggs Demanded at that Price (per dozen)	Points on Supply Curve
$ .20	7	W
$ .60	4	X
$ .80	3	Y
$1.20	1	Z

Demand schedules show how many units will be purchased by consumers at a given price. Information shown on the demand schedule is used to establish a demand curve.

DEMAND CURVE



Demand curve is used as a visual presentation of a demand schedule. Points on the demand curve are located by use of a demand schedule. Price is always shown on the vertical axis; quantity is always shown on the horizontal axis. Demand is always graphed as a *down-sloping line* because purchases increase as price goes down.

INFORMATION SHEET

C. Supply and demand--Establishes the price and number of goods or services that will be made available for sale at a given time

(NOTE: Supply and demand schedules and supply and demand curves are two ways of showing supply and demand relationships.)

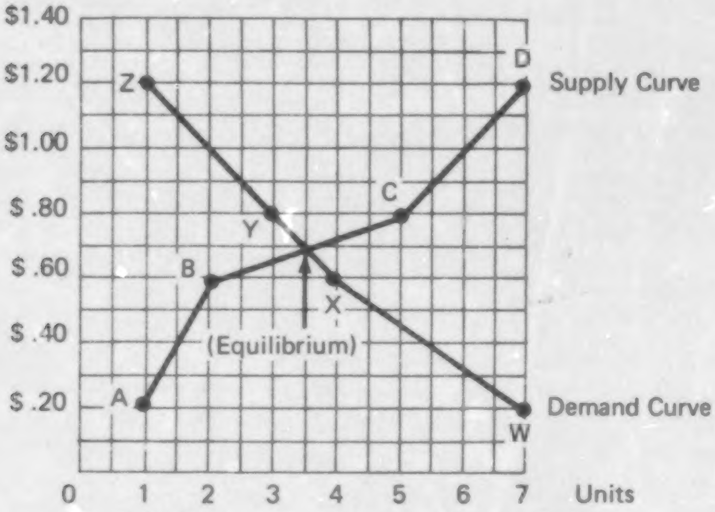
EXAMPLE:

SUPPLY AND DEMAND SCHEDULE

Price of Eggs (per dozen)	Quantity of Eggs Supplied at that Price	Quantity of Eggs Demanded at that Price
$ .20	1	7
$ .60	2	4
$ .80	5	3
$1.20	7	1

Supply and demand schedules show how many goods or services will be made available for sale at a given price. Information shown on the supply and demand schedule is used to determine equilibrium on the supply and demand curve.

SUPPLY AND DEMAND CURVE



Quantity that will be Produced (Per Dozen)

Supply and demand curve is used as a visual presentation of a supply and demand schedule. Points on the supply and demand curve are located by use of the supply and demand schedule. The point at which the supply curve crosses the demand curve is known as *equilibrium.*

INFORMATION SHEET

VII. Factors which cause elasticity of demand (Assignment Sheet #3)

A. If the amount spent on a given item is a large portion of a consumer's budget, the demand will probably be elastic

(NOTE: If demand for a product is elastic, a reduction in selling price will cause the total amount purchased to increase.)

EXAMPLES: Automobiles, appliances, jewelry, furniture

B. If there is no close, less-expensive substitute for an item, the demand will probably be inelastic

(NOTE: If demand for a product is inelastic, neither increase nor decrease in the selling price will significantly change the amount that consumers will purchase.)

EXAMPLES: Bread, salt, pencils, shoestrings, soap

VIII. Factors which cause inflation

A. Purchasing power of the dollar decreases rapidly; dollar will buy less and less

B. Consumers drive the prices of goods and services upward by increasing the competition for a limited supply

C. Businesses drive prices for the factors of production upward by competing for their use

D. Combination of consumer spending and business investment spending adds to the inflation cycle

(NOTE: Mandatory wage and price controls are sometimes established by the federal government in order to suppress inflation; however, this usually only postpones inflation until the controls are lifted. It is up to everyone to do his or her part to reduce spending and therefore moderate inflation.)

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

ASSIGNMENT SHEET #1--INTERPRET PRICE FACTORS THAT INFLUENCE THE ECONOMY

NAME ______________________________ SCORE ______________

One of the single most important words to any consumer or business person in a modified free enterprise system is "price." As consumers we look at price as a determinant of what we can afford to buy . . . when we can afford to buy . . . and by what means (how) we will make the purchase. As business people, we must be aware of the effect of price because it directs us to the most efficient methods of production and determines what will be produced by indicating our most profitable items.

In this assignment, you are to use the information sheet to interpret price factors that influence the economy. Write your answers on the lines provided.

A. The Bench Sporting Goods Store is planning to add one more item to the sporting goods line it sells. The store can sell golf balls or tennis balls. The store estimates that 40,000 golf balls can be sold at a profit of 10 cents per ball and 38,000 tennis balls can be sold at a profit of 12 cents per ball.

1. Which item should the Bench Sporting Good Store select to sell? ______________

____

2. Explain your decision ______________________________

____

____

3. Which factor of price was used to make your decision? ______________

____

____

B. John and Susan Johnson are planning to buy a new house. They have looked at two houses that they liked. The houses are basically the same, except house "A" is located on five acres of land and house "B" is located on a 100 foot by 100 foot lot. The monthly payments for house "A" are $500, $300 for house "B." Based on their monthly income and their other financial obligations, the Johnsons decided they could not afford to buy house "A."

Which factor of price influenced the Johnsons' decision to buy house "B?" __________

____

____

____

ASSIGNMENT SHEET #1

C. A few years ago there was a shortage of coffee in America. Because of this shortage the coffee companies raised the price. Consumers objected to the price increase and began using less coffee. The decrease in the use of coffee affected the coffee companies' profits to the point that they decided to lower prices to a more reasonable level.

Which factor of price influenced the coffee company's decision to lower coffee prices?

BMO - 79-A

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

ASSIGNMENT SHEET #2--ANALYZE A SUPPLY AND DEMAND SCHEDULE

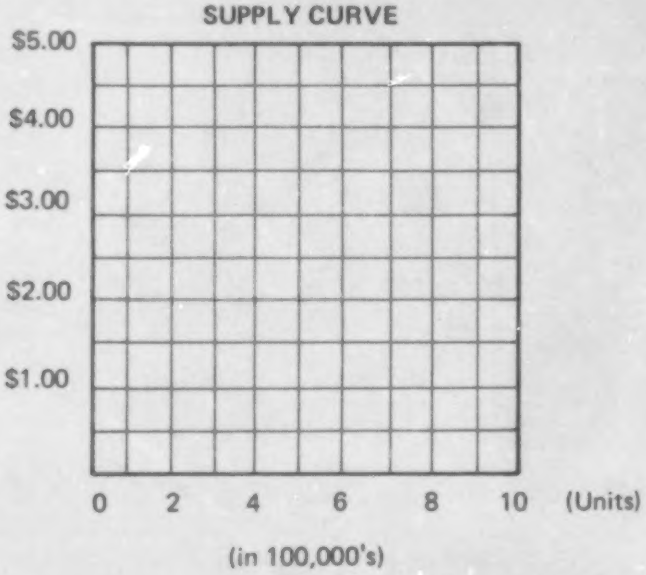
NAME ______________________________ SCORE ____________

The Acme Golf Company has conducted a survey to determine the number of golf balls to produce and the price to charge for the balls. The results of the survey have been recorded in the following supply and demand schedule.

Price for Golf Balls	Number of Golf Balls Supplied at that Price	Number of Golf Balls Demanded at that Price
$ .50	300,000	1,000,000
$1.50	500,000	900,000
$2.00	650,000	850,000
$2.50	700,000	800,000
$3.00	800,000	700,000
$4.00	950,000	600,000
$4.50	1,000,000	400,000

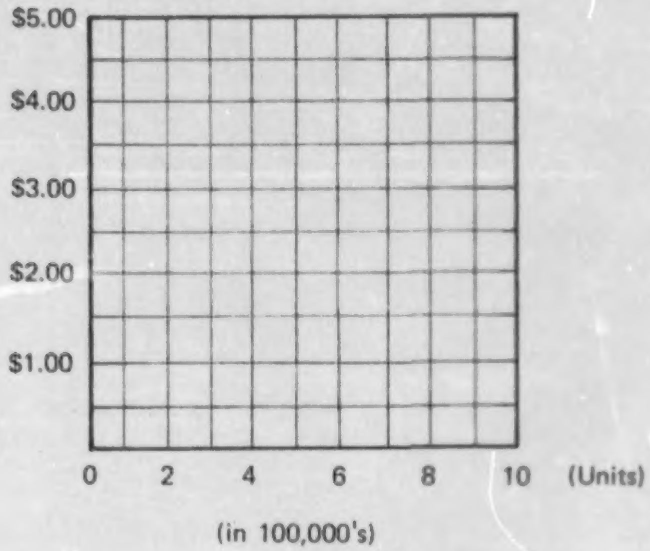
PART I

Construct supply and demand curves for the golf balls based on a supply and demand schedule. Record your answers on the appropriate grid areas that follow.

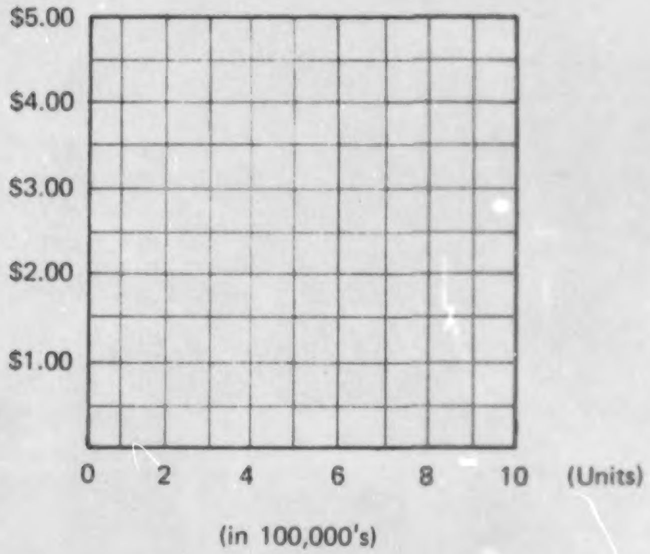


ASSIGNMENT SHEET #2

DEMAND CURVE



SUPPLY AND DEMAND CURVE



ASSIGNMENT SHEET #2

PART II

Analyze the supply and demand schedule by answering the following questions. Write your answers on the lines provided.

A. How many golf balls will the Acme Golf Company be able to sell?

____

B. What price will the Acme Golf Company charge for their golf balls?

____

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

ASSIGNMENT SHEET #3--DISTINGUISH BETWEEN ELASTIC AND INELASTIC GOODS AND SERVICES

NAME_______________________________ SCORE ______________

Goods and services may be classified as either elastic or inelastic, depending on how easily the demand for the item changes with increases and/or decreases in price. If demand changes drastically because of a change in price, the item is considered to be elastic. If, on the other hand, demand remains steady even though prices change, the item is inelastic.

Distinguish whether the items listed below are elastic or inelastic. Write your answers on the lines provided.

______________A. Diamond ring
______________B. Washing machine
______________C. Electricity
______________D. Milk
______________E. Living room chair
______________F. Movie/theater ticket
______________G. Gasoline
______________H. T-bone steak
______________I. Shampoo
______________J. Stereo
______________K. Notebook paper
______________L. Sugar
______________M. Typewriter
______________N. Telephone service
______________O. Shaving cream

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

A. 1. Tennis balls

   2. The profit from the sale of tennis balls equals $4,560 and the profit from the sale of golf balls is $4,000; the sale of tennis balls would result in $560 more profit

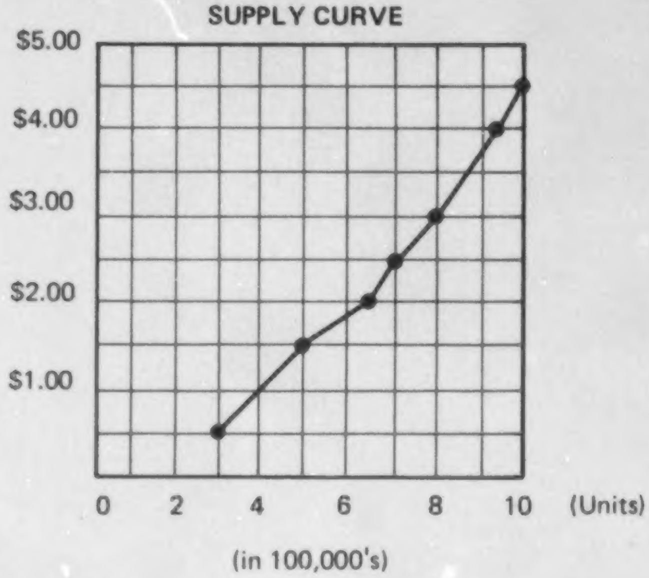
   3. The price of goods and services determines what will be produced by showing what goods and services are profitable

B. The price of goods and services determines what consumers are able to buy

C. Collective buying decisions of consumers determine the price for goods and services

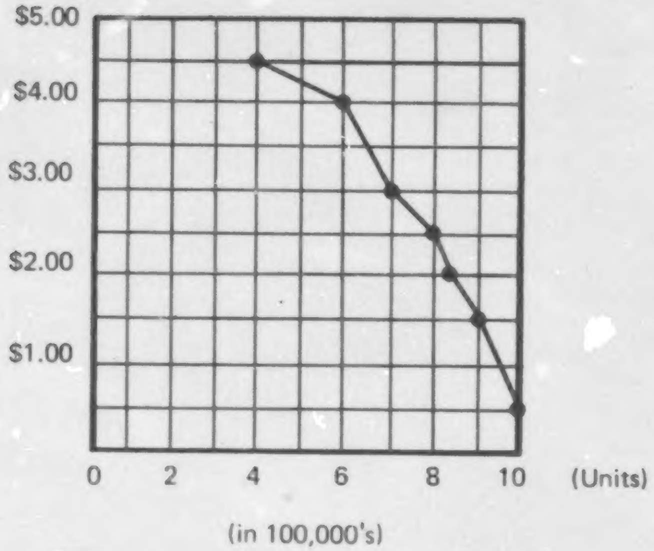
Assignment Sheet #2

PART I

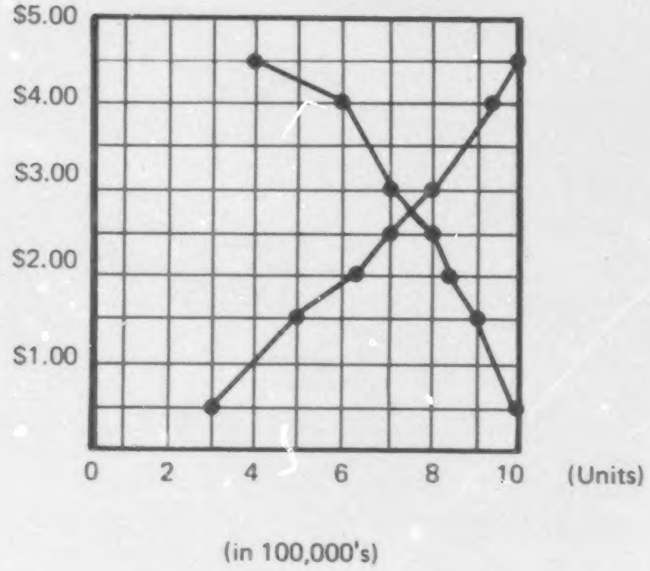


ANSWERS TO ASSIGNMENT SHEETS

DEMAND CURVE



SUPPLY AND DEMAND CURVE



PART II

A. 750,000

B. $2.75

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #3

A. Elastic

B. Elastic

C. Inelastic

D. Inelastic

E. Elastic

F. Elastic

G. Inelastic

H. Elastic

I. Inelastic

J. Elastic

K. Inelastic

L. Inelastic

M. Elastic

N. Inelastic

O. Inelastic

BMO - 91-A

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with economics of modified free enterprise to the correct definitions. Write the correct numbers in the blanks.

______a. Business which is the only producer of a good or service; one which has no competition

______b. General increase in prices

______c. French word meaning "enterpriser;" a person who owns his or her own business

______d. Effect that all consumers, together, have on the demand for a product or service

______e. Amount assessed each business and individual in order to pay for government services and operations

______f. Point at which the supply curve crosses the demand curve; the quantity that will be produced and made available for sale and the price that will be charged for the good or service, allowing no surplus or shortage in supply

______g. Change in the price for a good or service which causes a considerable change in the quantity that consumers are willing to buy

______h. Change in the price for a good or service which does not cause a considerable change in the quantity consumers will buy

______i. To control activity within the economic system

______j. Economic system which provides for a great deal of consumer and business independence, but allows for some government intervention in economic matters

______k. Effect that a change in the selling price for a good or service has on the total quantity that consumers are willing to buy

______l. Total value of goods and services produced by a country in one year

______m. Slowdown in gross national product which continues for six months or longer

1. Collective buying decision
2. Elastic demand
3. Elasticity of demand
4. Entrepreneur
5. Equilibrium
6. Gross National Product (GNP)
7. Inelastic demand
8. Inflation
9. Modified free enterprise
10. Monopoly
11. Recession
12. Regulate
13. Tax

TEST

2. Select from the following list major characteristics of the modified free enterprise system. Write an "X" in front of each correct statement.

______a. Competition promotes efficient methods of production and improvements in goods and services

______b. Freedom of choice for employment and the right to own property are granted by law

______c. Federal, state, and local governments influence ways factors of production will be used

______d. Producer's choice of what to buy determines the type and quantity of goods and services produced

______e. Desire for profit is the primary motive for businesses to operate

______f. Existence of all monopolistic businesses is prohibited by law

3. Match economic goals of the American people to the correct definitions. Write the correct numbers in the blanks.

______a. Desire to have a guaranteed minimum standard of living

______b. Freedom of individuals to make economic decisions and to become entrepreneurs as they choose

______c. Factors of production are used in the most efficient/productive manner

______d. Distribution of the nation's wealth is based on each individual's productivity

______e. Expectations for an ever-increasing standard of living

______f. Desire to avoid fluctuations in the economy, such as inflation, recession, and depression

1. Economic efficiency
2. Economic freedom
3. Economic growth
4. Economic justice
5. Economic security
6. Economic stability

4. Discuss the functions of government in a modified free enterprise system. Write your answers in the blanks provided.

a. Government produces and consumes goods and services.

____

____

____

____

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

TEST

NAME_______________________________________ SCORE _________________

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4. Economic justice
5. Economic security
6. Economic stability

4. Discuss the functions of government in a modified free enterprise system. Write your answers in the blanks provided.

a. Government produces and consumes goods and services.

____

____

____

____

TEST

b. Government regulates and protects business and individuals.

____

____

____

____

____

____

5. Select from the following list factors of price that influence the economy. Write an "X" before each correct answer.

_____a. Methods of production for a good or service are determined by price

_____b. Price of goods and services determines what consumers are able to buy

_____c. Collective buying decisions of consumers determine the price for goods and services

_____d. Allocation of scarce resources is determined by price

_____e. Price determines what will be produced by showing what goods and services are profitable to business

6. Define the function of supply and demand. Write your answers in the blanks.

a. Supply-- ______________________________

____

____

b. Demand-- ______________________________

____

____

c. Supply and demand-- ______________________________

____

____

____

____

TEST

7. Describe two factors which cause elasticity of demand. Write your answers on the lines provided.

   a. ____

   ____

   ____

   b. ____

   ____

   ____

8. Select from the following list factors which cause inflation. Write an "X" in front of each correct statement.

   _____a. Consumers drive the prices of goods and services upward by increasing the competition for a limited supply

   _____b. Purchasing power of the dollar decreases rapidly; dollar will buy less and less

   _____c. Businesses drive prices for the factors of production downward by competing for their use

   _____d. Combination of consumer spending and business investment spending adds to the inflation cycle

(NOTE: Assignment sheets are an important part of this unit. The are listed as test questions 9, 10, and 11. If they have not been completed, check with your instructor.)

9. Interpret price factors that influence the economy.

10. Analyze a supply and demand schedule.

11. Distinguish between elastic and inelastic goods and services.

ECONOMICS OF MODIFIED FREE ENTERPRISE
UNIT II

ANSWERS TO TEST

1. a. 10
   b. 8
   c. 4
   d. 1
   e. 13
   f. 5
   g. 2
   h. 7
   i. 12
   j. 9
   k. 3
   l. 6
   m. 11

2. a, b, c, e

3. a. 5
   b. 2
   c. 1
   d. 4
   e. 3
   f. 6

4. Discussion should include

   a. Government produces and consumes goods and services

      1) Federal government provides military defense, national parks and recreational facilities, interstate highways, Social Security, postal service, and health care

      2) State government provides state and interstate highways, educational facilities, state parks and recreational facilities, state police protection, assistance to the disadvantaged and handicapped

      3) Local government provides streets, water and sewage facilities, police and fire protection, libraries, schools, parks, and recreational facilities

   b. Government regulates and protects businesses and individuals

      1) Goods and services are regulated and inspected

      2) Employment standards are established and enforced

      3) Businesses are regulated in order to control monopolies and unfair business practices

ANSWERS TO TEST

5. a, b, c, d, e

6. a. Supply--Quantity of a good or service that producers are willing and able to make available to consumers at a specific price and time

   b. Demand--Quantity of a good or service that consumers are willing and able to buy at a specific price and time

   c. Supply and demand--Establishes the price and number of goods or services that will be made available for sale at a given time

7. Description should include

   a. If the amount spent on a given item is a large portion of a consumer's budget, the demand will probably be elastic

   b. If there is no close, less-expensive substitute for an item, the demand will probably be inelastic

8. a, b, d

9. Evaluated to the satisfaction of the instructor

10. Evaluated to the satisfaction of the instructor

11. Evaluated to the satisfaction of the instructor

PRINCIPLES OF MANAGEMENT
UNIT I

UNIT OBJECTIVE

After completing this unit, the student should be able to use the information in order to function better as a manager in planning, organizing, leading, and controlling a business. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with principles of management to the correct definitions.
2. Discuss management as an art and as a science.
3. Distinguish between the levels of management.
4. Match functions of management with their descriptions.
5. Distinguish among types of management theories.
6. Select from a list true statements about the characteristics of types of leaders.
7. List in order the steps in the decision-making process.
8. Select from a list characteristics of a good solution.
9. Discuss the process of management by objectives.
10. Distinguish among the functions of management.
11. Solve a management case study.
12. Prepare an MBO.

PRINCIPLES OF MANAGEMENT
UNIT I

SUGGESTED ACTIVITIES

I. Suggested activities

   A. Order materials planned to supplement unit.

      1. Video cassette--*A Firm of the Future*. (Basic Business Film Library Cassette IV). Color, 31 minutes. Available form American Enterprise Center, 656 North State Street, Suite 312, P.O. Box 1849, Jackson, Mississippi 39205

         (NOTE: Cassette describes how modern business methods were used to build a successful corporation.)

      2. Magazine--*Business Week*. Magazine discusses current event topics for business and industry. McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, New York 10036.

   B. Make transparencies.

   C. Provide students with objective sheet.

   D. Provide students with information and assignment sheets.

   E. Discuss unit and specific objectives.

   F. Discuss information and assignment sheets.

   G. Invite business managers to talk with your class about the functions of management/daily management tasks, and how work is organized.

   H. Discuss DECA Program of Work event.

   I. Give test.

   J. Reteach and retest if necessary.

II. Instructional materials

   A. Objective sheet

   B. Suggested activities

   C. Information sheet

   D. Transparency masters

      1. TM #1--Management is . . .

      2. TM #2--Leadership is . . .

SUGGESTED ACTIVITIES

   3. TM #3--Management Theories
   4. TM #4--Management by Objectives and Results
   5. TM #5--Management by Objectives

  E. Assignment sheets

   1. Assignment Sheet #1--Distinguish Among the Functions of Management
   2. Assignment Sheet #2--Solve a Management Case Study
   3. Assignment Sheet #3--Prepare an MBO

  F. Answers to assignment sheets

  G. Test

  H. Answers to test

III. Unit references

  A. Granger, Charles H. "Hierarchy of Objectives." *Harvard Business Review*, May-June, 1964.

  B. McGregor, Douglas. *The Human Side of Enterprise.* New York, New York: McGraw-Hill Book Company, Inc., 1960.

  C. Ouchi, William. *Theory Z: How American Business Can Meet the Japanese Challenge.* Reading, Massachusetts: Addison-Wesley Publishing Company, Inc., 1981.

  D. Shilt, Bernard, and Kenneth Everard. *Business Principles and Management,* 7th ed. Cincinnati: South-Western Publishing Company, 1979.

PRINCIPLES OF MANAGEMENT
UNIT I

INFORMATION SHEET

I. Terms and definitions

   A. Accountable--Being responsible to a higher authority for the quality of work done

   B. Authority--Right to make decisions with regard to employees' duty assignments and methods of accomplishing work in order to achieve the goals of the company

   C. Executive--Manager above the supervisory level who is responsible for broad company planning

   D. Goal--Overall mission of the company/organization

   E. Management--Process of using resources (land, labor, and capital) in order to meet the goals of the company

   F. Management by objectives (MBO)--Process oriented toward the accomplishment of mutually accepted, predetermined, measurable objectives to be achieved at some point in the future

   G. Objective--Activity toward which work is directed; a step toward achieving a goal

   H. Span-of-control--Number of employees for which a supervisor has direct responsibility

   I. Standard--System or measure by which a task is evaluated

   J. Subordinate--Person (employee) who is subject to the authority of a manager

   K. Supervisor--First level of management who spends most of the time dealing with daily operations and problems

II. Management as an art and a science (Transparencies #1 and #2)

   A. Management as an art

      1. Accept constant changes

      2. Face new challenges

      3. Use judgment, experience, insight

   B. Management as a science

      1. Deal with increasing technology

INFORMATION SHEET

2. Use scientific reasoning and statistics

3. Research problems

III. Levels of management

A. Executive managers spend most of their time planning for long-range company policies

(NOTE: Seventy-five to ninety percent of an executive's time is dedicated to planning policies, finance, public relations, and other company operations.)

B. Supervisory managers spend most of their time dealing with daily operations

(NOTE: Eighty to ninety-five percent of a supervisor's time is dedicated to such things as finding good employees, keeping equipment operational, operating within a budget, maintaining quality controls.)

IV. Functions of management (Assignment Sheet #1)

(NOTE: The functions of management are, to a greater or lesser degree, performed by all managers; and they are performed in order: planning, organizing, leading, controlling.)

A. Planning function--Deals with manager's time spent creating a detailed method for achieving the goals of a company

EXAMPLES: Forecasting--Prepare goals, prepare budgets

B. Organizing function--Deals with manager's time spent in structuring relationships between people, the work to be done, and the facilities available in order to achieve the goals of a company

EXAMPLES: Structuring relationships--Schedule employees, provide equipment

C. Leading function--Deals with manager's time spent in working with employees in such a manner that the goals of the company are met

EXAMPLES: Dealing with employees--Hold meetings with employees, transfer employees, motivate employees

D. Controlling function--Deals with manager's time spent evaluating progress toward achieving company goals and taking corrective action as necessary

EXAMPLES: Evaluating--Compare sales figures with planned sales, compare budget with actual income and expenses

INFORMATION SHEET

V. Types of management theories (Transparency #3)

(NOTE: An individual's management style is directly influenced by his/her beliefs, values, and experiences.)

A. Theory X (McGregor)--Traditional view of direction and control

(NOTE: Under Theory X, managers have control over all aspects of the operation. They are direction-oriented, always giving orders and not allowing others to make changes. Theory X managers provide little opportunity for others to get involved in organizing their own work, since they prefer to instruct others in the way they see the job being done. Employees are expected to follow orders and do exactly as they are told.)

1. People dislike work
2. People must be coerced/directed before they will work
3. People prefer to be directed and avoid responsibility

B. Theory Y (McGregor)--Delegation of work to individuals

(NOTE: Under Theory Y, managers delegate work responsibility and allow individuals to assume independence in their work. The manager provides resources and assistance as necessary to make it possible for employees to perform their jobs in such a manner that they derive personal satisfaction from their work.)

1. People like to work
2. People will usually exercise self-direction to organize work
3. People not only accept, but also seek responsibility

C. Theory Z (Ouchi)--Integration of individual and organizational goals

(NOTE: Under Theory Z, management and subordinates work together to establish the objectives for the company through an MBO system. In this way everyone understands the goals of the company, and the company's "personality" is reflected through each employee. Employees work toward organizational goals which are compatible with their personal goals.)

1. People should be assigned work based on their capabilities
2. People should be enthusiastic toward their work
3. People at all levels should work together to accomplish mutually accepted, clearly understood objectives

INFORMATION SHEET

VI. Types of leaders

(NOTE: Managers, either consciously or unconsciously, select one basic type of leadership style. It may be necessary, however, for a manager to make use of principles discussed under each leadership style in order to accomplish the company's objectives.)

A. Autocratic leader

EXAMPLE: The autocratic leader would say, "Do it my way." (Theory X)

1. Believes that employees must be directed by management

2. Expects employees to accomplish the task as directed by management

B. Free-rein leader

EXAMPLE: The free-rein leader would say, "Go ahead and try it your way. Let me know how it works out." (Theory Y)

1. Believes that employees will seek better ways to accomplish company objectives

2. Gives employees direction only as needed

C. Participatory leader

EXAMPLE: The participatory leader would say, "Let's decide how this should be done." (Theory Z)

1. Believes that employees like to work

2. Invites employees to have input in decision-making process

VII. Order of steps in decision-making process (Assignment Sheet #2)

A. Identify the problem(s)

B. Gather information that might have bearing on problem(s)

C. List possible solutions from every point of view

D. Evaluate probable results of each solution objectively

E. Decide on best solution

VIII. Characteristics of a good solution

A. Solution chosen is in line with company's objectives

B. Solution is suitable, will solve the problem at hand

INFORMATION SHEET

C. Solution is acceptable to management at all levels

D. Solution is feasible so far as costs are concerned

E. Solution is acted upon and amended as necessary to allow it to function well when put into actual practice

IX. Management by objectives (MBO's) (Assignment Sheet #3; Transparencies #4 and #5)

(NOTE: Management by objectives is also referred to as management by results, management by design, and participation management.)

A. MBO's serve as a guide for activities within a business/organization

EXAMPLE:

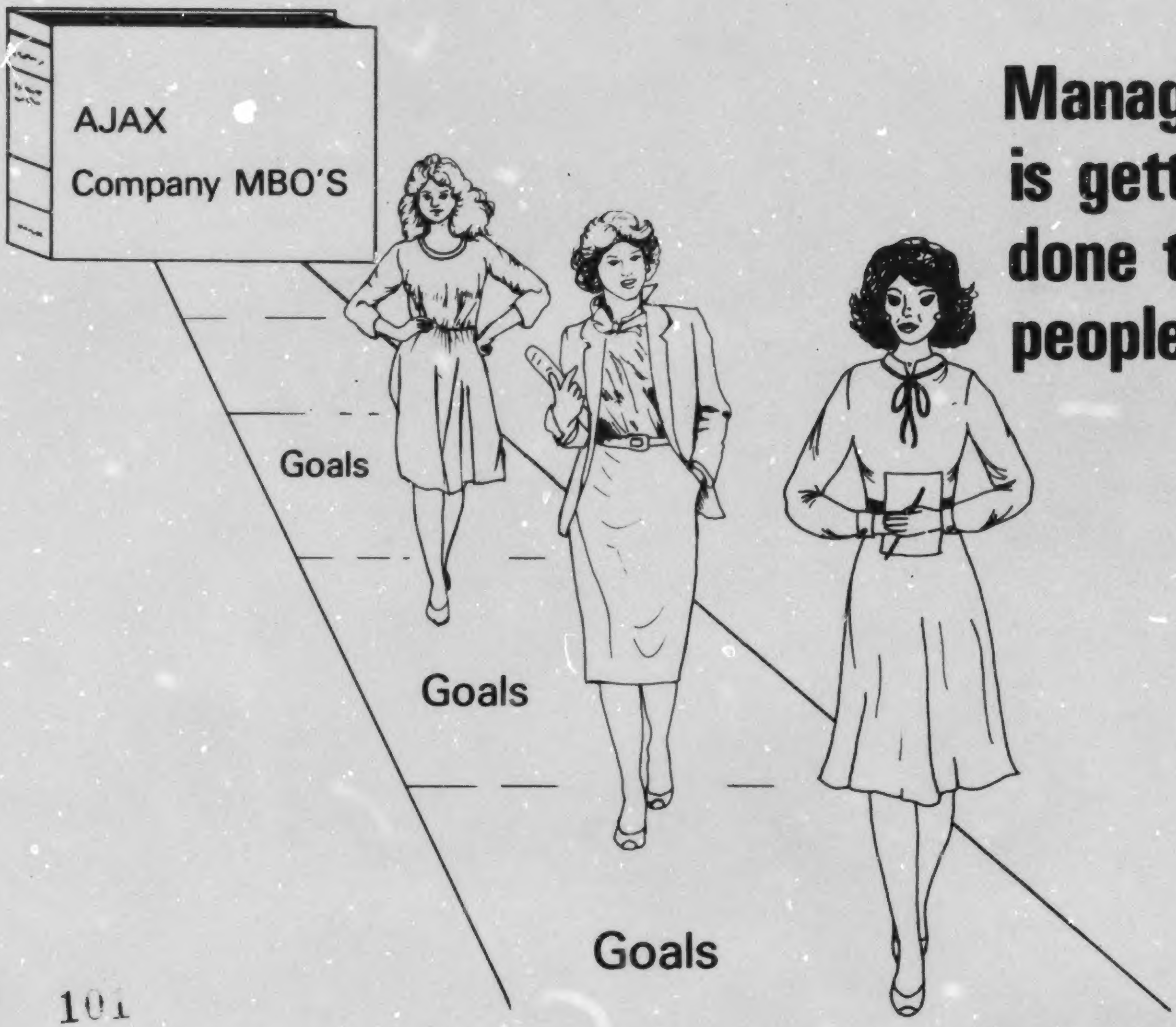
1. Where is the organization going?
2. What is to be accomplished?
3. When is it to be accomplished? (by what date)
4. How does the organization plan to accomplish its objectives?
5. Who is responsible for each activity?
6. What resources are necessary?
7. How will progress be monitored?
8. How will results be evaluated?

B. MBO's are written down on paper

C. MBO's are stated in terms of goals and objectives

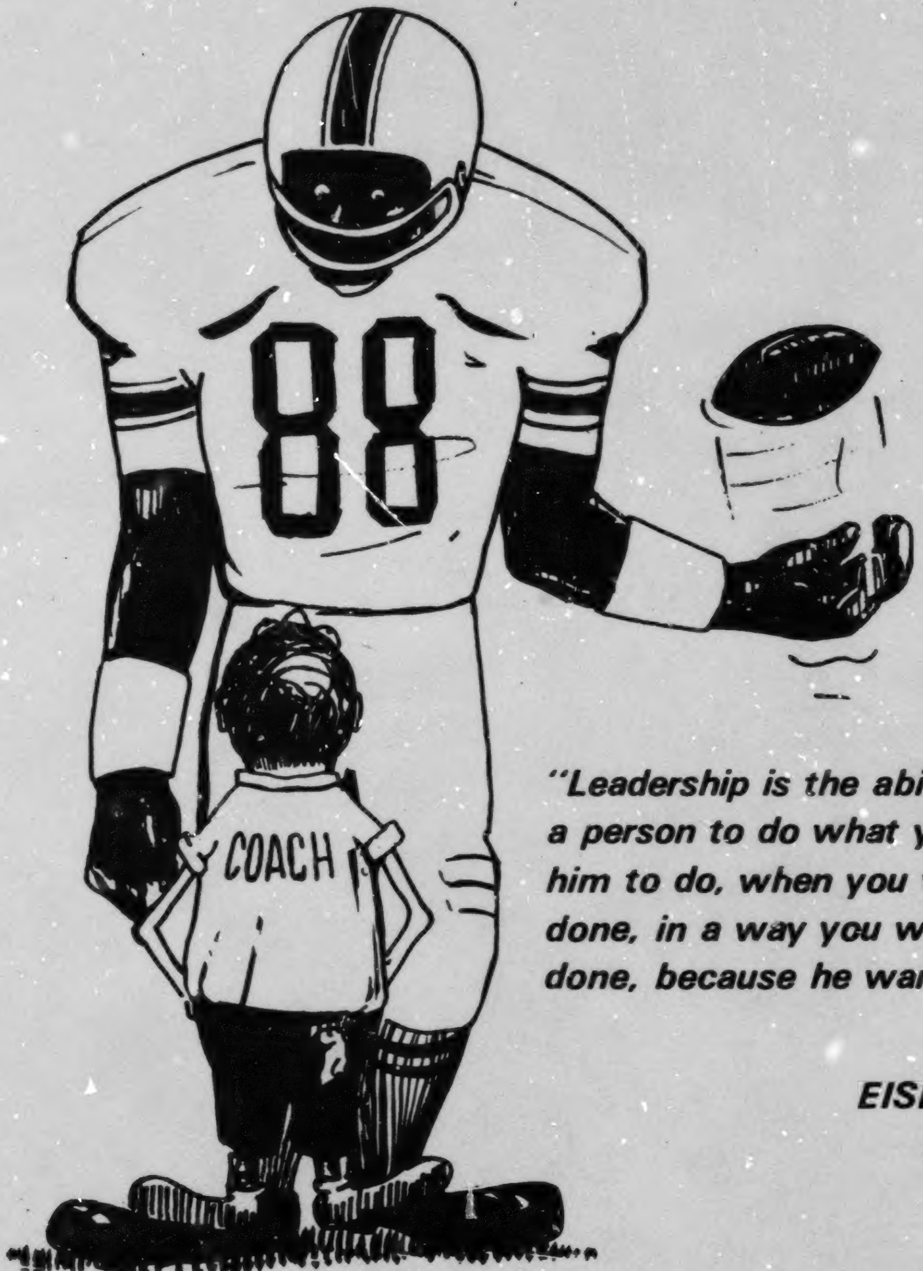
(NOTE: This goal-directed system provides opportunities for the individual to relate personal goals to organizational goals, to obtain planning assistance, and to receive feedback through performance reviews.)

1. Each objective is directly related to the goals of the organization
2. Each objective is ranked according to priority for accomplishment
3. Actual results are measured against predetermined objectives


AJAX
Company MBO'S
Goals
Goals
Goals

Management is getting things done through people

APPLEY

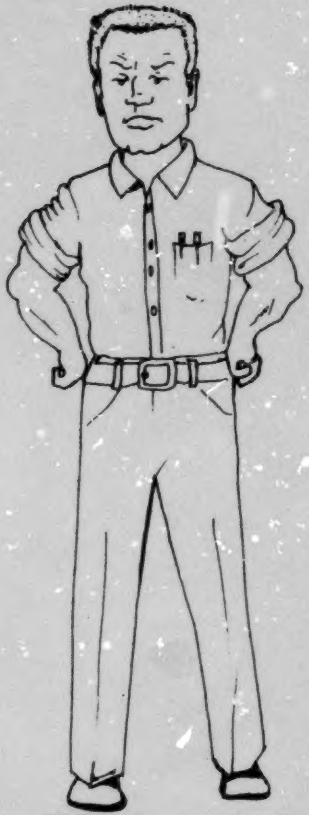


"Leadership is the ability to get a person to do what you want him to do, when you want it done, in a way you want it done, because he wants to do it."

EISENHOWER

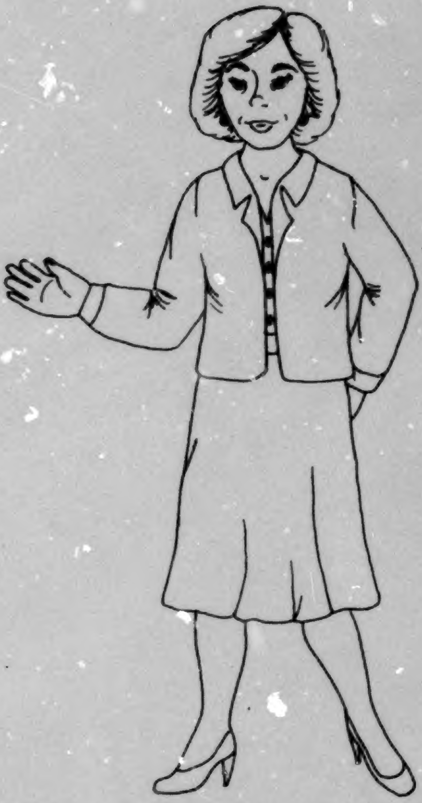
Management Theories

Theory X



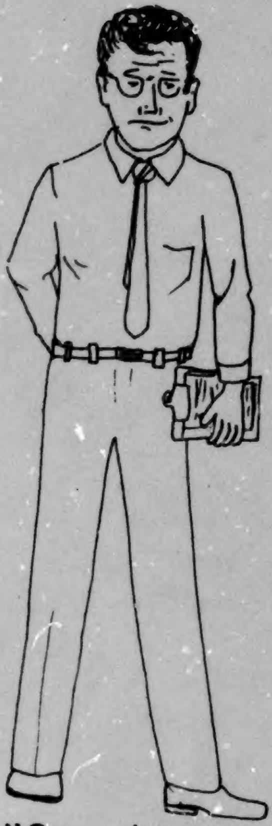
"Work or else"
T. Roosevelt
"Bullmoose"

Theory Y



"It's your project-
give it a try."

Theory Z



"Come let us
reason together"
L. B. Johnson

TM #3

BMO - 15-B

Management by Objectives and Results

". . . If a manager cannot or does not state in advance of the time required for action, his objectives in writing and in detail, he cannot know for sure what he is doing. As a consequence there can be little hope that his operation will achieve the necessary results so that fundamental objectives of the organization will be accomplished."

"He will not be managing the situation; but rather, the situation will be managing him."

Howard P. Mold
Management by Objectives and Results

35-017-S

MANAGEMENT BY OBJECTIVES

Year ____________

Department ______________________ Job Title ______________ Employee ______________________________

Major Job Functions	Job Objectives	Performance Review										
		Evaluation										Comments for Interview
		Difficulty of the Objective					Achievement of the Objective					
		Extremely Difficult	Difficult	Some Difficulty	Easy	Extremely Easy	Exceeded	Achieved	Partially Met	Little Done	No Activity	
List, in order of importance, the key responsibility areas of your job. (Those general areas within which you are held accountable for producing results.)	For each Job Function, list the specific results you expect to accomplish during the time period covered. Objectives should include what is to be accomplished, by what date, at what cost and quality, etc.											Use this column to update objectives continually or to enter possible reasons why some objectives were exceeded and others not met when conducting the performance review.

TM #5

BMO - 19-B

PRINCIPLES OF MANAGEMENT
UNIT I

ASSIGNMENT SHEET #1--DISTINGUISH AMONG THE FUNCTIONS OF MANAGEMENT

NAME ______________________ SCORE ______________

Managers perform four basic functions: planning, organizing, leading and controlling. In this exercise you will examine several tasks which might be performed by managers in their normal course of work. Decide which of the four functions of management is being illustrated, and write the appropriate function in the space provided.

______________ A. Purchase a new cash register for the camera department

______________ B. Ask for employee recommendation on which uniform front-end workers should wear

______________ C. Compare sales figures for this week with the same week last year

______________ D. Prepare a budget for the next calendar year

______________ E. List employees' hours and jobs for the next work week

______________ F. Compute stock turnover rate for the stationery department

______________ G. Prepare a training manual for new sales employees

______________ H. Hold a meeting with employees to discuss a new stock-sharing program

______________ I. Rearrange the sales floor to allow for a center-aisle merchandising area

______________ J. Conduct an employee training session on shrinkage and loss prevention

______________ K. Develop the store image and logo for a new store

______________ L. Analyze the sales cost per customer for each employee

______________ M. Counsel an employee on following the dress code as established in the employee handbook

______________ N. Hire six new part-time employees to help during the Christmas rush period

______________ O. Develop a new system for inventory control

PRINCIPLES OF MANAGEMENT
UNIT I

ASSIGNMENT SHEET #2--SOLVE A MANAGEMENT CASE STUDY

NAME ______________________________ SCORE ____________________

Managers make many decisions during the course of a normal working day. In this assignment, you will be asked to read a case study and to decide how you would react if you were actually a part of the situation. Read the situation given below and answer the five questions that follow.

PART I--Read the case study.

Terry Smith has worked as a front-end cashier in a department store for about one year. He knows that the company plans to open several branch stores soon, and he wants to be considered for promotion to front-end supervisor in one of the new stores. One day his supervisor told Terry that he (the supervisor) was planning to go on vacation and asked Terry to assume full responsibility for the front end while he was gone. Terry readily agreed; and the store manager approved Terry as acting front-end manager.

While working as front-end manager, Terry frequently was required to consult a bad-check list, and to approve only those checks that met store policy: completely filled out in ink; drawee bank not more than 50 miles away from the store; written and number amounts agree; written for amount of purchase only; and two forms of identification to verify signature.

Terry felt that this approval practice took too much time and therefore began to approve all checks that were presented by customers without checking any standards. He reasoned that the cashiers were ultimately responsible for the handling of all checks and money and that the cashier would, no doubt, check all information required to cash a check.

Upon arrival back at work, the full-time front-end supervisor was approached by the store manager and was told that the store was experiencing an unusual number of returned checks.

PART II--How would you react if you were the front-end supervisor?

A. Identify the real problem.

____

____

____

____

____

____

____

____

ASSIGNMENT SHEET #2

B. Gather information. (List and organize information that might have a bearing on the problem.)

C. List possible solutions. (Look at every possible point of view.)

D. Evaluate probable results of each solution.

ASSIGNMENT SHEET #2

E. Decide on the best solution. (Why did you choose this solution?)

PRINCIPLES OF MANAGEMENT
UNIT I

ASSIGNMENT SHEET #3--PREPARE AN MBO

NAME ________________________________ SCORE ____________________

In an article that was published by the *Harvard Business Review,* Charles Granger wrote:

> "Objectives, properly developed and applied, can tell us in what paths, new and old, our total undertakings should be moving. They can guide both the day-to-day activities and the personal development of individuals in an organization. If we in management can clarify and identify the objectives of our undertaking by even a small amount, we can greatly increase the effectiveness and efficiency of our business."

Management by objectives provides managers a vehicle for outlining their objectives and setting their priorities.

In this assignment, you will assume the role of a "manager" for a DECA chapter activity. Prepare an MBO for an activity that is (or may be) planned for your DECA chapter. Use the MBO worksheet provided in this assignment or any other form accepted by your teacher to complete the MBO.

(NOTE: Your MBO may be appropriate for inclusion in your DECA Program of Work. Ask your chapter advisor for further information.)

35-017-S

ASSIGNMENT SHEET #3

MANAGEMENT BY OBJECTIVES

Year ____________

Department ______________________ Job Title ______________ Employee ______________________

Major Job Functions	Job Objectives	Performance Review										
		Evaluation										Comments for Interview
		Difficulty of the Objective					Achievement of the Objective					
List, in order of importance, the key responsibility areas of your job. (Those general areas within which you are held accountable for producing results.)	For each Job Function, list the specific results you expect to accomplish during the time period covered. Objectives should include what is to be accomplished, by what date, at what cost and quality, etc.	Extremely Difficult	Difficult	Some Difficulty	Easy	Extremely Easy	Exceeded	Achieved	Partially Met	Little Done	No Activity	Use this column to update objectives continually or to enter possible reasons why some objectives were exceeded and others not met when conducting the performance review.

PRINCIPLES OF MANAGEMENT
UNIT I

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

A. Organizing
B. Leading
C. Controlling
D. Planning
E. Organizing
F. Controlling
G. Planning
H. Leading
I. Organizing
J. Leading
K. Planning
L. Controlling
M. Leading
N. Leading
O. Planning

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

(NOTE: The following are suggested solutions.)

A. Terry was appointed to serve as front-end supervisor without adequate training

B.
   1. Terry only had one year of experience
   2. He had not been given any training in the supervisor's specific duties
   3. He apparently did not understand the reasons behind the store's check-cashing policy
   4. He assumed the cashiers would verify the checks
   5. The store lost money, apparently because Terry did not follow established procedure

C.
   1. Train someone to act as front-end supervisor whenever necessary
   2. Re-train cashiers in the necessity of check-cashing controls
   3. Talk with Terry about the number of returned checks and explain the importance of following company policies
   4. Have the store manager work more closely with temporary supervisory personnel

ANSWERS TO ASSIGNMENT SHEETS

D.
1. There would always be someone trained to take over the supervisory position. It would cost for training, but could prove productive.
2. Cashiers would take more precautions when dealing with checks. This would cost the company time in training, but it may pay for itself by having fewer checks returned.
3. Terry would see the problem, however, after the fact. He might feel bad and lose some of his enthusiasm for work. He may improve efficiency, however.
4. Temporary supervisors' errors would be noticed quicker, but it would take the store manager away from his/her normal duties

E. Combination of #1 and #3 listed in part C, above

Assignment Sheet #3--Evaluated to the satisfaction of the instructor

PRINCIPLES OF MANAGEMENT
UNIT I

TEST

NAME ______________________________ SCORE ____________________

1. Match terms associated with principles of management to the correct definitions. Write the correct numbers in the blanks.

_____a. Being responsible to a higher authority for the quality of work done

_____b. Activity toward which work is directed; a step toward achieving a goal

_____c. Person (employee) who is subject to the authority of a manager

_____d. Process of using resources (land, labor, and capital) in order to meet the goals of the company

_____e. First level of management who spends most of the time dealing with daily operations and problems

_____f. Number of employees for which a supervisor has direct responsibility

_____g. Right to make decisions with regard to employees' duty assignments and methods of accomplishing work in order to achieve the goals of the company

_____h. Manager above the supervisory level who is responsible for broad company planning

_____i. Process oriented toward the accomplishment of mutually accepted, predetermined, measurable objectives to be achieved at some point in the future

_____j. System or measure by which a task is evaluated

_____k. Overall mission of the company/organization

1. Accountable
2. Authority
3. Executive
4. Goal
5. Management
6. Management by objectives (MBO)
7. Objective
8. Span-of-control
9. Standard
10. Subordinate
11. Supervisor

TEST

2. Discuss management as an art and as a science.

____

____

____

____

____

____

____

3. Distinguish between the levels of management by filling in the spaces provided with the proper title for each manager described.

   a. ______________________ managers spend most of their time planning for long-range company policies

   b. ______________________ managers spend most of their time dealing with daily operations

4. Match functions of management with their descriptions. Write the correct numbers in the blanks.

   _____a. Deals with manager's time spent creating a detailed method for achieving the goals of a company

   _____b. Deals with manager's time spent in working with employees in such a manner that the goals of the company are met

   _____c. Deals with manager's time spent evaluating progress toward achieving company goals and taking corrective action as necessary

   _____d. Deals with manager's time spent in structuring relationships between people, the work to be done, and the facilities available in order to achieve the goals of a company

   1. Planning function
   2. Organizing function
   3. Leading function
   4. Controlling function

TEST

5. Distinguish among types of management theories. Write an "X" before characteristics of Theory X, a "Y" before characteristics of Theory Y, and a "Z" in the blanks before characteristics of Theory Z.

_____a. Integration of individual and organizational goals

_____b. People like to work

_____c. People should be assigned work based on their capabilities

_____d. People must be coerced/directed before they will work

_____e. People not only accept, but also seek responsibility

_____f. Traditional view of direction and control

_____g. People at all levels should work together to accomplish mutually accepted, clearly understood objectives

_____h. People will usually exercise self-direction to organize work

_____i. People prefer to be directed and avoid responsibility

_____j. Delegation of work to individuals

_____k. People dislike work

_____l. People should be enthusiastic toward their work

6. Select from the following list true statements about the characteristics of types of leaders. Write an "X" in the blank before each correct statement.

_____a. Free-rein leaders believe that employees must be directed by management

_____b. Participatory leaders believe that employees like to work

_____c. Autocratic leaders invite employees to have input in decision-making process

_____d. Free-rein leaders give employees direction only as needed

_____e. Participatory leaders expect employees to accomplish the task as directed by management

_____f. Autocratic leaders believe that employees will seek better ways to accomplish company objectives

7. List in order the steps in the decision-making process.

a. ____

b. ____

TEST

c. ______________________________

d. ______________________________

e. ______________________________

8. Select from the following list characteristics of a good solution. Write an "X" in the blank before each correct statement.

______a. Solution is inconsistent with company policy

______b. Solution is suitable, will solve the problem at hand

______c. Solution is acted upon and should not be amended when put into actual practice

______d. Solution is feasible so far as costs are concerned

______e. Solution chosen will limit production capabilities

______f. Solution chosen is in line with company's objectives

______g. Solution is acceptable only to upper management

9. Discuss the process of management by objectives (MBO's).

____

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(NOTE: Test questions 10, 11, and 12 are assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

10. Distinguish among the functions of management.

11. Solve a management case study.

12. Prepare an MBO.

PRINCIPLES OF MANAGEMENT
UNIT I

ANSWERS TO TEST

1. a. 1
   b. 7
   c. 10
   d. 5
   e. 11
   f. 8
   g. 2
   h. 3
   i. 6
   j. 9
   k. 4

2. Discussion should include
   a. Management as an art
      1) Accept constant changes
      2) Face new challenges
      3) Use judgment, experience, insight
   b. Management as a science
      1) Deal with increasing technology
      2) Use scientific reasoning and statistics
      3) Research problems

3. a. Executive
   b. Supervisory

4. a. 1
   b. 3
   c. 4
   d. 2

5. a. Z
   b. Y
   c. Z
   d. X
   e. Y
   f. X
   g. Z
   h. Y
   i. X
   j. Y
   k. X
   l. Z

ANSWERS TO TEST

6. b, d
7. a. Identify the problem(s)
    - b. Gather information that might have bearing on problem(s)
    - c. List possible solutions from every point of view
    - d. Evaluate probable results of each solution objectively
    - e. Decide on best solution
8. b, d, f
9. Discussion should include
    - a. MBO's serve as a guide for activities within a business/organization
    - b. MBO's are written down on paper
    - c. MBO's are stated in terms of goals and objectives
        - 1) Each objective is directly related to the goals of the organization
        - 2) Each objective is ranked according to priority for accomplishment
        - 3) Actual results are measured against predetermined objectives
10. Evaluated to the satisfaction of the instructor
11. Evaluated to the satisfaction of the instructor
12. Evaluated to the satisfaction of the instructor

SUPERVISORY SKILLS
UNIT I

UNIT OBJECTIVE

After completing this unit, the student should be able to use principles of motivation and direct supervision to improve productivity and accomplish goals of the company and work group. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with supervisory skills to their correct definitions.
2. Complete statements relating to tasks performed by first-line supervisors.
3. Discuss ways to be a good direct supervisor.
4. Select from a list characteristics of a good supervisor.
5. Arrange in order Maslow's hierarchy of needs.
6. Select from a list aspects of productivity.
7. Discuss ways to improve productivity.
8. Select from a list modern techniques of motivation.
9. Distinguish between motivation and maintenance factors.
10. Select from a list ways of linking personal and company goals.
11. Distinguish between desirable and undesirable supervisory traits.
12. Analyze a management skills profile.
13. Organize activities so that company and employee expectations are met.
14. Solve a management case study.

SUPERVISORY SKILLS
UNIT I

SUGGESTED ACTIVITIES

I. Suggested activities

   A. Order materials planned to supplement unit.

      1. Films

         a. *You Pack Your Own Chute.* Color film, 30 minutes, Ramic Productions, 1972. Starring Dr. Eden Ryl, it is an inspirational and motivational film which inspires people to greater responsibility, new self-awareness, and higher levels of achievement.

            (NOTE: This film is available *only* to Oklahoma teachers on a free-loan basis from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-State teachers must order from Ramic Productions, 4910 Birch, Newport Beach, California 92660.)

         b. *Transactional Analysis.* Color film, 31 minutes, CRM, n.d. Available from CRM McGraw-Hill, 110 Fifteenth Street, Del Mar, California 92014. This film describes how "TA" is being used by organizations to expose non-productive games played through communications. Film shows how to increase more effective behaviors within a business and how to improve human relations and motivation on the job.

      2. Posters--"How to Keep Your Job." Eighteen posters showing practical ideas for keeping a job. Pamela K. Sullivan, J. Weston Walch. Portland, Maine 04104.

   B. Order catalog on training filmstrips, records, or cassettes available from Merchandising Film Productions. P.O. Box J, Huntington, New York 11743.

   C. Make extra copies of the Management Skills Profile so that training station sponsors or other class members can complete profiles of class members for comparison purposes. (See Assignment Sheet #2.)

   D. Make transparencies.

   E. Provide students with objective sheet.

   F. Provide students with information and assignment sheets.

   G. Discuss unit and specific objectives.

      EXAMPLE: Write MANAGEMENT on the chalkboard and have class use each letter to make words which describe managers

   H. Discuss information and assignment sheets.

   I. Invite department managers, assistant store managers, and/or other persons who have good motivational/public relations skills to speak to the class.

SUGGESTED ACTIVITIES

J. Listen to tapes on successful supervision and/or motivation.

K. Conduct sensitivity training exercise.

EXAMPLE:

Introduction: Whenever people join a work group or attend meetings, each has a special relationship to others in that group. The purpose of this session is to help members of a work group become more sensitive to the positions/opinions that people have within that work group.

Details of conducting the exercise:

1. Divide the class into groups of six.
2. Assign a letter to each member of each group, A-F.
3. Each group (A-F) must determine ways to use principles of motivation and direct supervision to improve productivity in a small firm. The 10 most important items must be selected by the group and ranked in importance from the most important (1) to the least important (10).
4. Ask A, B, and C to step out of their respective groups and to meet with the teacher. Be sure that you are out of hearing and seeing distance from the rest of the group members (D-F). Ask D-F to begin working to create a list of 10 most important items.
5. Explain to A, B, and C that each will select one of the important items and insist that their item be ranked NUMBER ONE. Ask each to decide which item to "push." A, B, and C should know which items each is going to insist upon. Their items should be different. They should NOT help each other whenever they go back to their groups. *Each should be very assertive/aggressive.*
6. If one of them gets an item accepted in the first position, that person should select a different item and try to get into NUMBER TWO position. Each person should continue to "push" additional items for each ranking from one to 10.
7. Explain to A, B, and C that you are going to leave them to prepare their lists and go back in with the other students for a few minutes. Whenever the other members (D-F) of each group begin to rank their items, A, B, and C will go back into their original groups.

   (NOTE: A, B, and C should stay outside until you come for them.)
8. Go back to D, E, and F. Tell them that you have asked A, B, and C to attempt to get their items/list accepted by the group as they have ranked them from one to 10.
9. When A, B, and C return, D-F should respond to each one differently. Argue and reject everything A says. Belittle and/or ignore everything B says. Commend and accept ideas given by C.

SUGGESTED ACTIVITIES

Summarize the activity

1. Let the discussion continue for 10-12 minutes before summarizing. If any of the group members become too upset, be sure to stop the group interaction sooner.

2. It is not important that the group complete the ranking; the objective is to allow individuals to experience the effects of being rejected, ignored and/or commended.

3. Discuss the feelings each experienced during the session in giving or receiving impressions and attitudes. Ask "How can a person get out of 'seat' A, B, or C?"

L. Give test.

M. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency masters

1. TM #1--Twelve Qualities of a Good Leader
2. TM #2--Hierarchy of Needs
3. TM #3--Hierarchy of Needs (Continued)
4. TM #4--Hierarchy of Needs (Continued)
5. TM #5--Hierarchy of Needs (Continued)
6. TM #6--Hierarchy of Needs (Continued)
7. TM #7--Hierarchy of Needs (Continued)
8. TM #8--Linking Employee Wants to Firm's Goals
9. TM #9--Implications for Managers
10. TM #10--Implications for Managers (Continued)

E. Assignment sheets

1. Assignment Sheet #1--Distinguish Between Desirable and Undesirable Supervisory Traits

SUGGESTED ACTIVITIES

2. Assignment Sheet #2--Analyze a Management Skills Profile

3. Assignment Sheet #3--Organize Activities so that Company and Employee Expectations are Met

4. Assignment Sheet #4--Solve a Management Case Study

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Caplow, Theodore. *How to Run Any Organization: A Manual of Practical Sociology.* Hinsdale, Illinois: The Dryden Press, 1976.

B. Cribbin, James J. *Effective Managerial Leadership.* New York: American Management Association, Inc., 1972.

C. Dale, Ernest. *Management: Theory and Practice,* 3rd ed. New York: McGraw-Hill Book Co., 1973.

D. Gillespie, Karen R., and Joseph C. Hecht. *Retail Business Management.* New York: McGraw-Hill Book Company, 1970.

E. Glos, Raymond E., and Harold A. Baker. *Business: Its Nature and Environment,* 7th ed. Cincinnati: South-Western Publishing Company, 1972.

F. Haimann, Theo, and Raymond L. Hilgert. *Supervision: Concepts and Practices of Management.* Cincinnati: South-Western Publishing Company, 1972.

G. *Leadership on the Job: Guides to Good Supervision,* Selected Readings from Supervisory Management. New York: American Management Association, Inc., 1966.

H. McLean, Preston G., and Katherine Jillson. "The Manager and Self-Respect." American Management Association Survey Report, 1975.

I. McLean, Preston G., and Katherine Jillson. "The Manager and Self-Respect: A Follow-Up Survey." American Management Survey Report, 1977.

J. Sibsen, Robert E. *Increasing Employee Productivity.* New York: American Management Association, 1976.

SUPERVISORY SKILLS
UNIT I

INFORMATION SHEET

I. Terms and definitions

A. Collaborate--Work together

B. Compensate--Pay for work done

C. Coordinate--Combine resources of the firm in order to work in harmony toward common goals

D. Dedication--Attitude of being committed to an idea

E. Efficiency--Achieving maximum productivity with as little waste as possible

F. Feedback--Returning information to an original source through some form of communication

G. First-line supervisor--Person who directs activities of employees; responsible for departmental operations; lowest level of management

EXAMPLES: Sales or service manager of a car dealership, head cashier, department manager, floor supervisor, display/special events director, warehouse manager

H. Formal communication--Process of relaying information, usually written, up and/or down the formal organizational channels of a business

I. Formal organization--Arrangement of positions or jobs within a company as they relate to one another and as they fulfill operational needs

(NOTE: Formal organization is shown on an organizational chart.)

J. Goodwill--Intangible, salable asset representing the reputation of a business and its relationship with its customers

K. Grapevine--Informal system of communication to relay information which is not available through formal channels

L. Informal communication--Process of relaying information through "unofficial," usually verbal, channels; communication outside formal organization

M. Job enlargement--Rotation of an employee through several work areas so as to vary tasks performed and reduce boredom on the job

N. Job enrichment--Involvement of employees in decision-making throughout the organization and operation of a company

O. Negotiate--Meet with employees in order to discuss and agree on terms of employment

INFORMATION SHEET

P. Organizational chart–Graphic representation of the division of work within the formal organization of a company

Q. Productivity--Efficiency with which we use our resources: manpower, facilities, and raw materials; getting the most out of every dollar invested

R. Profitability–Degree to which a decision or act will result in increased profits for the company

S. Standard--Measure by which an activity is judged

II. Tasks performed by first-line supervisors

A. Avoid loss of sales by maintaining adequate stock of merchandise and supplies in their proper places

B Promote goodwill through proper handling of returned merchandise, customer questions, and complaints

C. Increase profitability by supervising all department operations

D. Increase sales by training staff and coordinating advertising

EXAMPLES: Inform staff of current product information, location, promotions, and handling of stock; coordinate advertised promotional activities with personal selling efforts

E. Increase productivity of employees through proper work assignments and orientation to jobs assigned

F. Increase cooperation by maintaining verbal and written communications with customers, employees, suppliers, and executive management

G. Avoid errors by listening to others and by reviewing all written information before it is made available to others

III. Ways to be a good direct supervisor

A. Set definite goals

1. Arrange goals in order of priority

2. State standards of performance in advance

3. Keep objectives clearly in view at all times

4. Communicate messages by using facts or illustrations

EXAMPLES: "Here is a sample of the new merchandise that we have on order " . . . or . . . "Each department will reduce costs by five percent."

INFORMATION SHEET

B. Supervise the *work* more than the *worker*

EXAMPLES: Chef tastes every dish, office manager scans every page, department manager observes salesclerks and work area

C. Distinguish between essential and non-essential rules

1. Essential--Basic values or rules that hold the organization together; require perfect compliance or quick, definite, and strong disciplinary action

   EXAMPLE: Lock register if you must leave it unattended

2. Non-essential--Convenient and recognized practices which can be enforced less authoritatively

   EXAMPLE: Keep counters straightened

D. Give credit where credit is due

(NOTE: Success should be credited to the entire work group or divided among the work group and one or more of its members. Supervisors unmistakingly should be identified as being accountable for unsatisfactory performance of the work group. Specific individuals within the group cannot be blamed for failure unless specific responsibility for assigned tasks is documented.)

E. Listen sympathetically; maintain an open-door policy to allow employees to voice opinions, make recommendations

F. Use an "inner circle"

(NOTE: Supervisors need intermediaries who will let them know of daily activities that might affect productivity within the company. These persons are needed to provide "eyes, ears, and hands" to the supervisor.)

G. Defend the organization

(NOTE: Supervisors must take the group and its work more seriously than anyone else and know how to handle any situation or special occasion that might arise.)

H. Protect the status of subordinates

(NOTE: Each employee has significant abilities and contributions to offer the work group. Supervisors must recognize, respect, and maintain them.)

I. Retain final control

(NOTE: Inner circle, praised employees, and status-hungry subordinates must be reminded occasionally that the supervisor has the *unshared* right to veto any and all decisions of the work group.)

INFORMATION SHEET

J. Involve employees in decision-making process

   1. Avoid making changes until facts and insights have been shared with the work group

   2. Involve employees in the discussion, design, and implementation of new procedures or activities

K. Distinguish business from personal matters

   (NOTE: Appreciate other workers' rights to privacy in getting their work done; keep from talking about personal matters while on company time.)

L. Check details daily

   (NOTE: This is a very important principle of direct supervision. Dedication to working out the details of daily operations can save much time and energy.)

IV. Characteristics of a good supervisor (Transparency #1; Assignment Sheets #1-#2)

A. Understands subordinates' jobs completely

   EXAMPLES:
   1. Can give specific instruction/directions
   2. Can demonstrate performance of tasks
   3. Can answer questions specifically
   4. Can state, follow, and demonstrate firm's rules and regulations
   5. Demonstrates ability to meet deadlines
   6. Demonstrates ability to meet and exceed production
   7. Meets standards for quantity and quality control
   8. Maintains system to check accuracy of work

B. Possesses good interpersonal competencies

   EXAMPLES:
   1. Confidence--Believes in one's own abilities
   2. Perseverance--Continues difficult tasks until completed
   3. Comprehension--Understands and "catches on" to ideas and situations
   4. Initiative--Finds work to do without being told, is self-motivated, is first one to begin work

INFORMATION SHEET

5. Reliability--Is dependable, does work as expected
6. Tact--Is careful not to hurt others' feelings or cause anger
7. Loyalty--Supports supervisors and stands up for the company
8. Enthusiasm--Demonstrates desire to learn; is an eager, earnest worker
9. Cooperation--Demonstrates willingness to work with and to assist others
10. Adaptability--Adjusts to changes in schedules, job assignments, and supervisors
11. Safety consciousness--Observes safety rules and regulations
12. Housekeeping--Maintains tools, equipment, and work stations in an orderly manner
13. Oral expression--States information in a clear, logical order
14. Empathy--Understands another person's position, is willing to listen to others
15. Sociability--Makes friends easily and is open-minded
16. Grooming--Dresses appropriately for all occasions
17. Leadership--Motivates others to cooperate in achieving the company's goals
18. Poise--Maintains self-control

C. Avoids having irritating mannerisms

EXAMPLES:

1. Chews gum or smokes thoughtlessly
2. Interrupts others frequently
3. Uses foul language
4. Criticizes nonconstructively or belittles others
5. Says unkind things
6. Gossips
7. Hums or whistles incessantly

INFORMATION SHEET

8. Uses the telephone for personal calls

9. Fusses with hair or uses strong cologne/perfume

D. Participates in civic and community activities

EXAMPLES: 1. Joins Chamber of Commerce, Lions, Rotary, Kiwanis, Exchange Club and/or Business and Professional Women's Club

2. Volunteers to assist with collections for community needs, organize cleanup projects, and/or coach-sponsor community sports events

3. Serves as advisor for vocational programs and/or clubs

E. Maintains a continuing education program

EXAMPLES: 1. Attends company training sessions

2. Enrolls in seminars and short courses

3. Reads trade journals, books, financial news publications

V. Maslow's hierarchy of needs (Transparencies #2-#7)

A. Basic physiological needs are necessities of life: food, clothing, and shelter

(NOTE: These must be satisfied before any other needs can be met.)

B. Safety needs deal with personal safety from harm, danger

C. Affection needs are those which make each individual want to belong to a group and to be loved

D. Esteem needs are associated with individual's desire to be recognized for accomplishments

E. Self-fulfillment needs are those which encourage individuals to aspire to a higher standard of living, to be totally satisfied with their position in life

VI. Aspects of productivity (Transparency #8)

A. Productivity may be measured by quantity and quality of output per employee work-hour

(NOTE: Employees may be willing to exert energy in order to produce items which meet or exceed minimum quantity and/or quality standards.)

B. Overall efficiency of operation is reflected in its ability to produce

EXAMPLES: Few disruptions in production, little "down-time" and shrinkage, open communications, employee loyalty, high morale

INFORMATION SHEET

C. Productivity affects overall effectiveness of operation

EXAMPLES: Firm captures large share of market; firm out-produces similar firms; firm has small turnover of personnel; firm has limited absenteeism or tardiness.

D. Personal goals are satisfied by company (Transparency #1)

EXAMPLES: Employees feel good about their work; employees are involved in planning.

VII. Ways to improve productivity (Assignment Sheet #2)

A. Tie employees' compensation to their performances and firm's profits

EXAMPLE: Flex-time available to those who meet and exceed quotas

B. Allow employees to participate in decisions affecting their department or job

(NOTE: Pulling rank, giving detailed instructions, and constantly questioning employee's actions will reduce employee creativity, communication, cooperation, and growth. These actions create fear, defensive attitude, and insecurity.)

C. Tell employees what is important

(NOTE: Specific instructions and priorities of efforts prevent misunderstanding that leads to poor work standards. This kind of misunderstanding leads to unobtainable goals, guilt, discouragement, and failure to perform.)

D. Give employees positive feedback on their performances

EXAMPLE: Say, "If you make a day-to-day plan and stick to it, you'll find you won't have a last-minute rush," instead of, "You always leave things to the last minute."

VIII. Modern techniques of motivation

A. Compensate employees for work done

(NOTE: The more money one receives, the higher status one usually enjoys in the firm. A small increase in salary may cause a large increase in productivity for workers who rank *lowest* on Maslow's hierarchy of needs. Overall, however, increasing pay does not necessarily increase productivity.)

B. Use fringe benefits to aid in showing employee acceptance by the company

C. Enlarge employees' jobs to make their work challenging, self-regulating, and self-rewarding

INFORMATION SHEET

D. Provide adequate safety conditions, pay, fringe benefits, and working conditions

E. Provide access to resources needed to make tasks less frustrating and more easily or smoothly performed

EXAMPLES: Training, materials, methods, machines, money

F. Improve work methods, work stations, products or services by involving employees in planning and implementing changes

G. Allow for flexibility in benefits and decisions

IX. Motivation and maintenance factors (Assignment Sheets #3 and #4)

(NOTE: Motivation and maintenance factors affect employee satisfaction with work. Motivation factors are those values and feelings which come from within employees, whereas maintenance factors are outside influences.)

A. Motivation factors are thoughts, ideas, and opinions from the employee which help create job satisfaction

(NOTE: Some workers are motivated because they receive earned recognition for their efforts. Other workers are motivated by simply knowing that they have achieved or succeeded on the job.)

1. Type of work
2. Earned recognition
3. Achievement or job success
4. Horizontal job enlargement
5. Vertical job enlargement
6. Increased authority and/or freedom
7. Increased responsibility

B. Maintenance factors are outside influences that help prevent worker dissatisfaction

1. Written company policies
2. Established pay schedule
3. Good working conditions
4. Fringe benefits
5. Interpersonal relationships
6. Job security

INFORMATION SHEET

7. Good communications

8. Understanding supervisors

9. Status or rank within the company

X. Ways of linking personal and company goals (Transparencies #8, #9, and #10; Assignment Sheets #3 and #4)

A. Coordinate employee desires with company expectations

EXAMPLES:

1. Employee wants interesting work while firm wants to maintain congenial work group

2. Employee wants supplies and equipment to do the job while firm wants to minimize costs

3. Employee wants off at specific times while firm wants to maintain smooth, uninterrupted workflow

B. Communicate information to employees

EXAMPLES:

1. Employee wants to be appreciated for work performed while firm wants to improve productivity

2. Employee wants to be able to voice grievances, complaints, and suggestions while the firm wants employees who don't "rock the boat"

3. Employee wants to be "in" on things while firm wants to protect "tricks of the trade"

C. Integrate employee wants and company goals

EXAMPLES:

1. Employee wants opportunity to advance while firm wants trained, competent staff

2. Employee wants to be part of the group while firm wants employees that "fit" the organization

3. Employee wants to interact with leaders while firm wants to identify management trainees

INFORMATION SHEET

D. Adapt work to employees

EXAMPLES:

1. Employee wants job security while firm wants to provide new ideas
2. Employee wants higher wages and benefits while firm wants greater profits
3. Employee wants to learn routine of job while firm wants to change the technology or trade

E. Collaborate or negotiate with employees

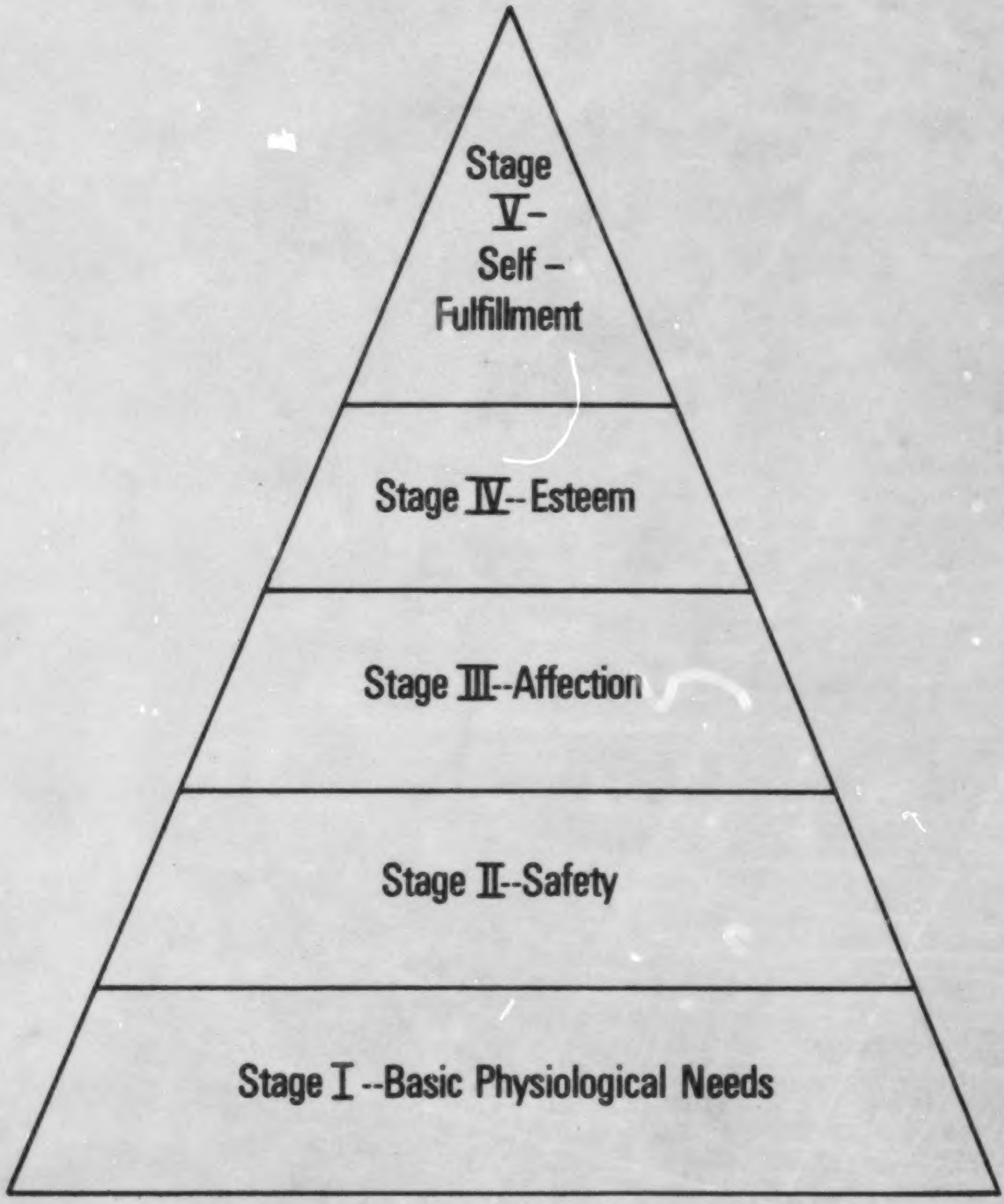
EXAMPLES:

1. Employee wants cost-of-living raise while firm must meet terms of sales contracts
2. Employee wants tax advantages while firm wants to maintain policies which reduce costs of operation
3. Employee wants to participate in decision-making process while firm wants to direct human resources toward maximum profits

Twelve Qualities of a Good Leader

1. Sets a good example
2. Treats everyone as an individual, lets them know they are important
3. Gets results through others
4. Gives credit where credit is due
5. Welcomes suggestions for improvement
6. Suggests or requests rather than commands
7. Lets employees know where they stand, suggests ways to improve
8. Reinforces good performance, corrects poor performance
9. Asks questions before reprimanding, criticizes in private
10. Keeps promises
11. Leads rather than bosses
12. Lets employees know in advance about changes that affect them

Hierarchy of Needs



Stage V– Self – Fulfillment

Stage IV-- Esteem

Stage III--Affection

Stage II--Safety

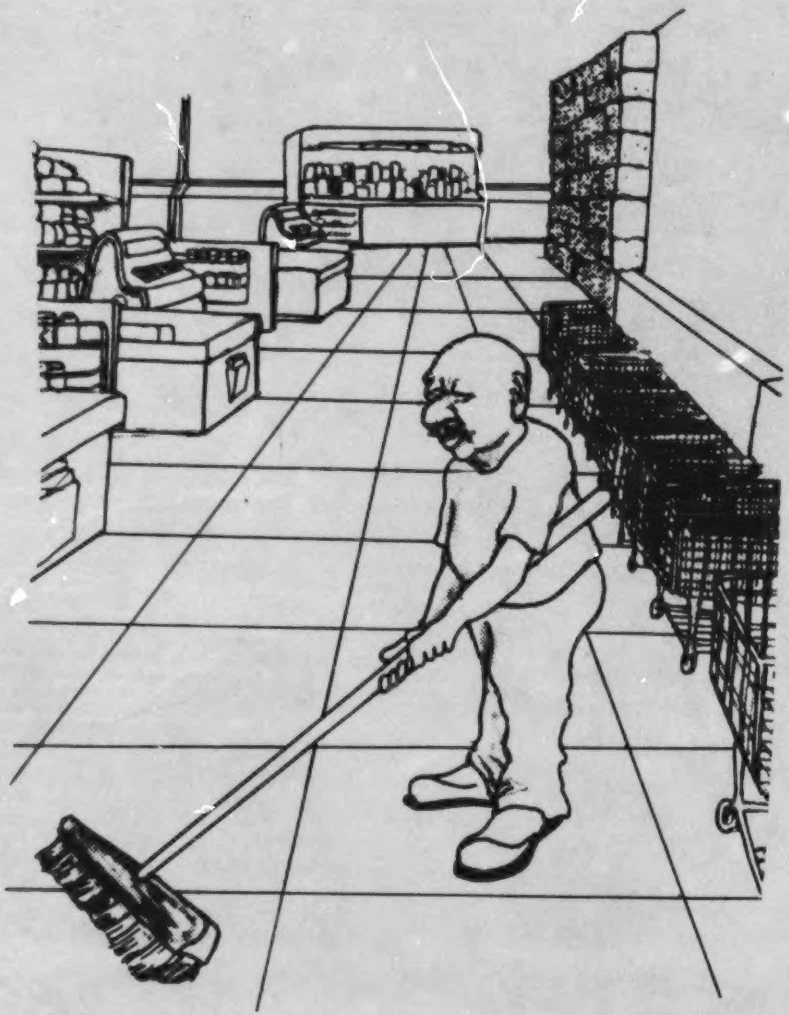
Stage I --Basic Physiological Needs

Hierarchy of Needs

(Continued)

Stage I– Basic Physiological Needs

Unemployed head of household seeks any job that will provide money to pay rent and buy food, clothing, and transportation

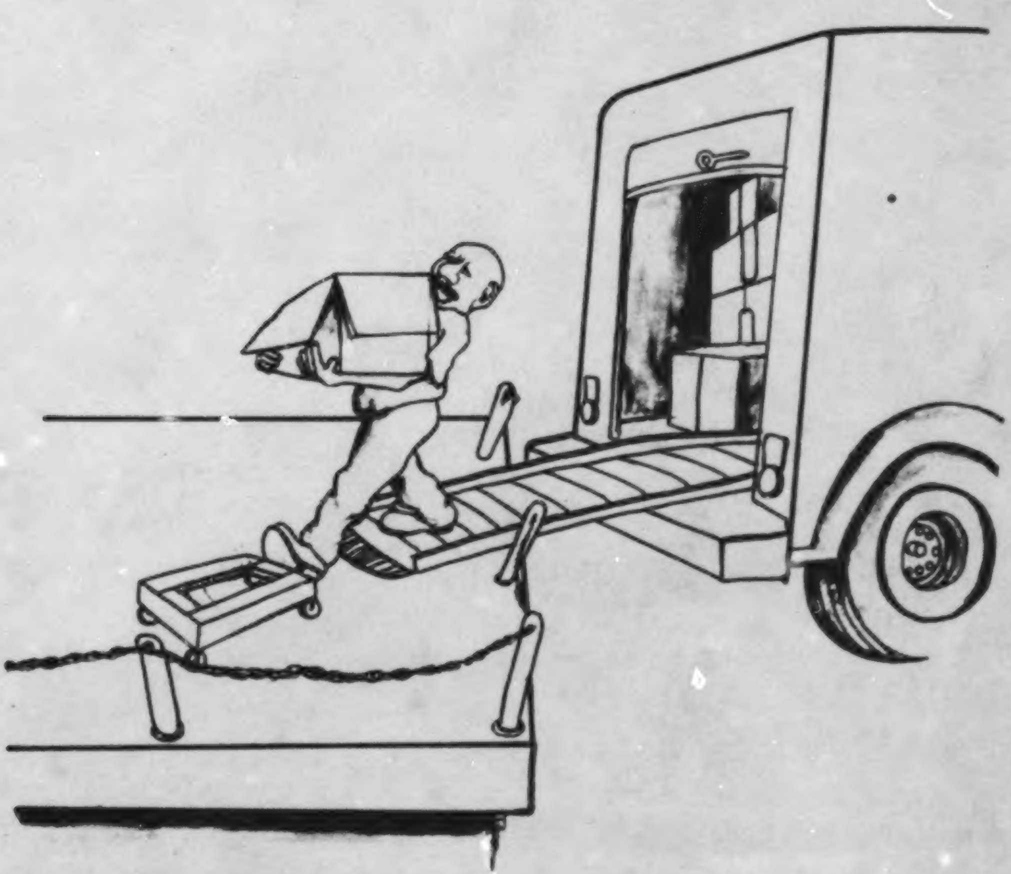


Hierarchy of Needs

(Continued)

Stage II--Safety

Employed worker begins to observe dangers of work station, physical and emotional; seeks new job with less danger, threat, or pressure

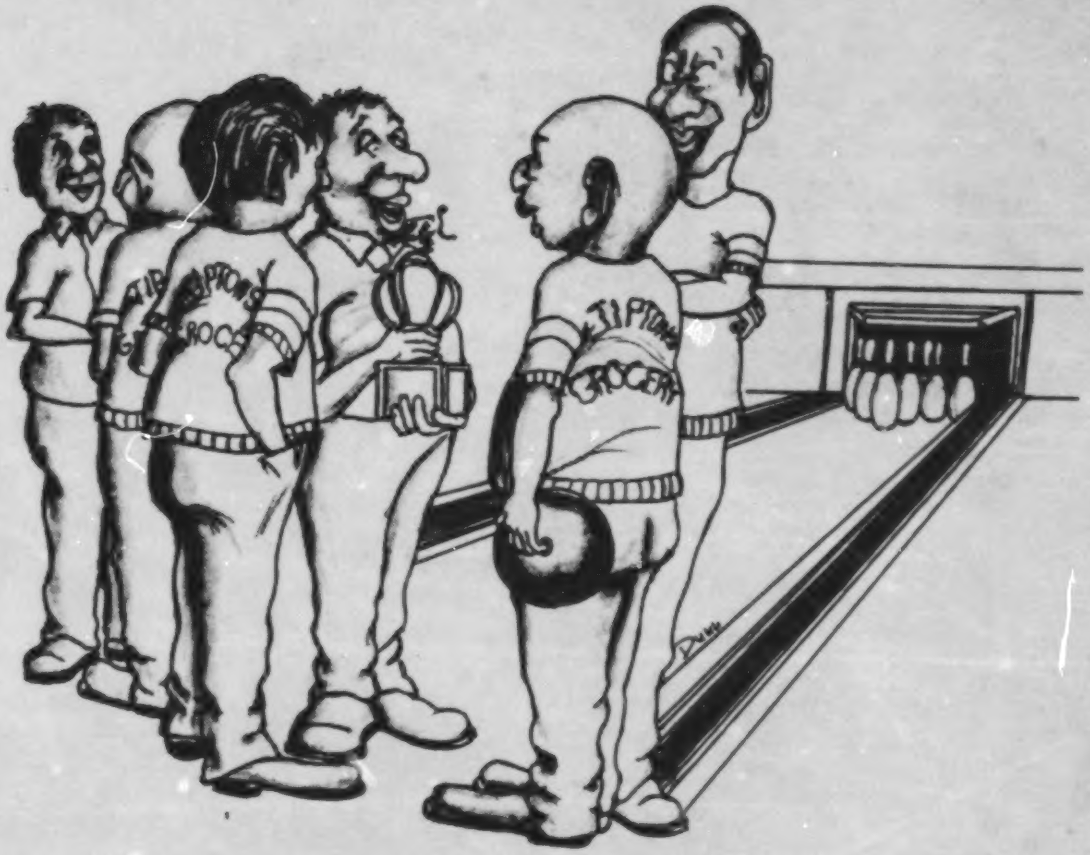


Hierarchy of Needs

(Continued)

Stage III--Affection

Employee begins to join group within firm or seek new job where "his or her kind" of people work

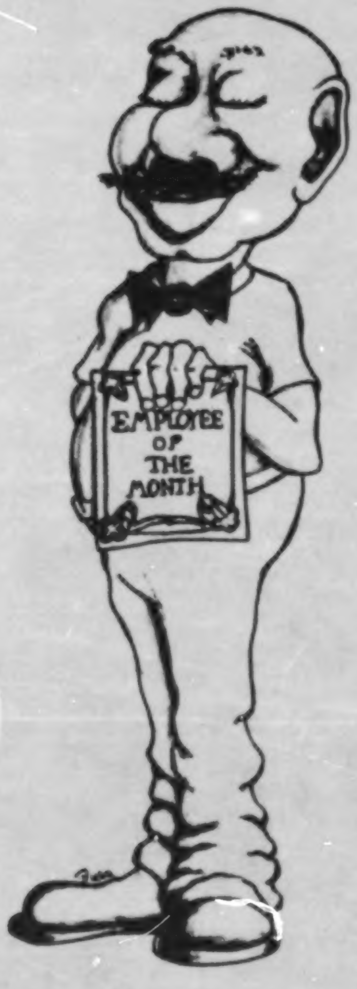


Hierarchy of Needs

(Continued)

Stage IV–Esteem

Employee excels at job to receive recognition or seeks job where "respect" is shown

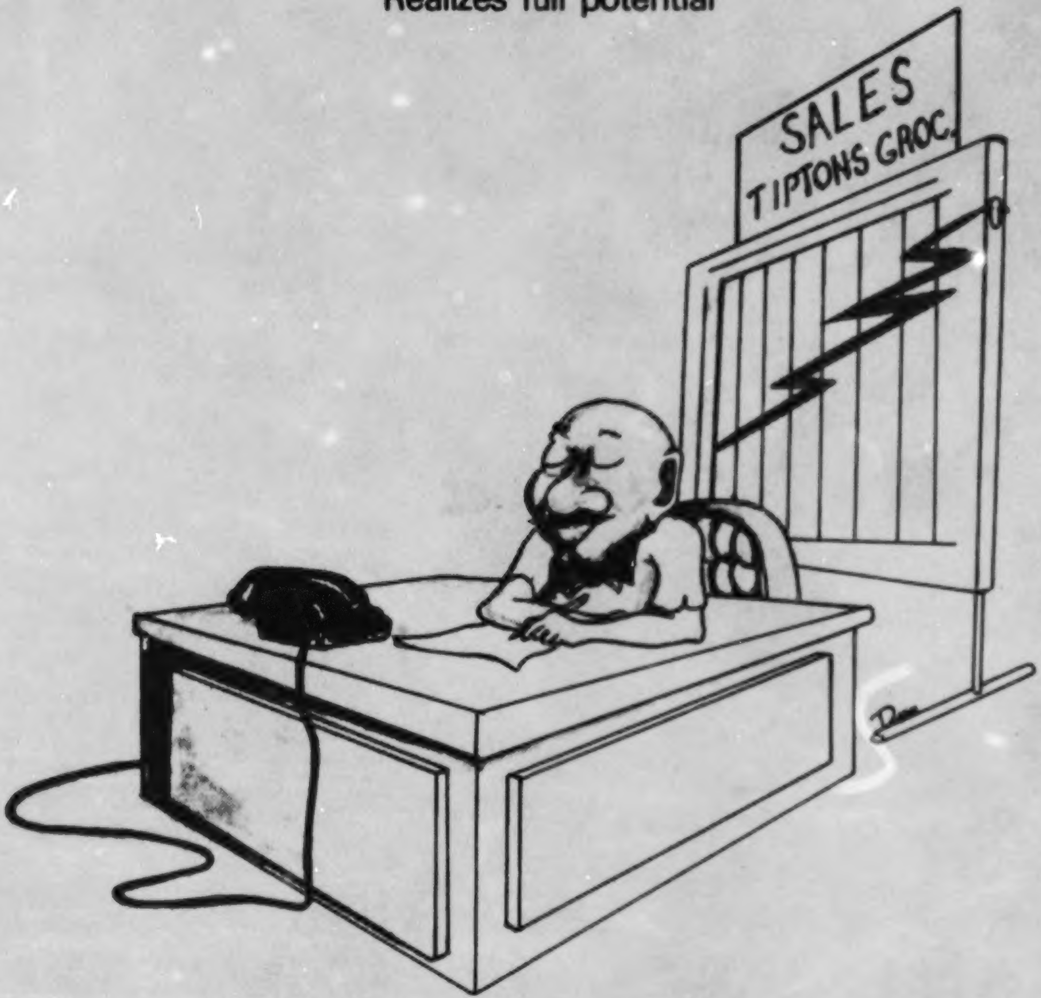

EMPLOYEE
OF
THE
MONTH

Hierarchy of Needs

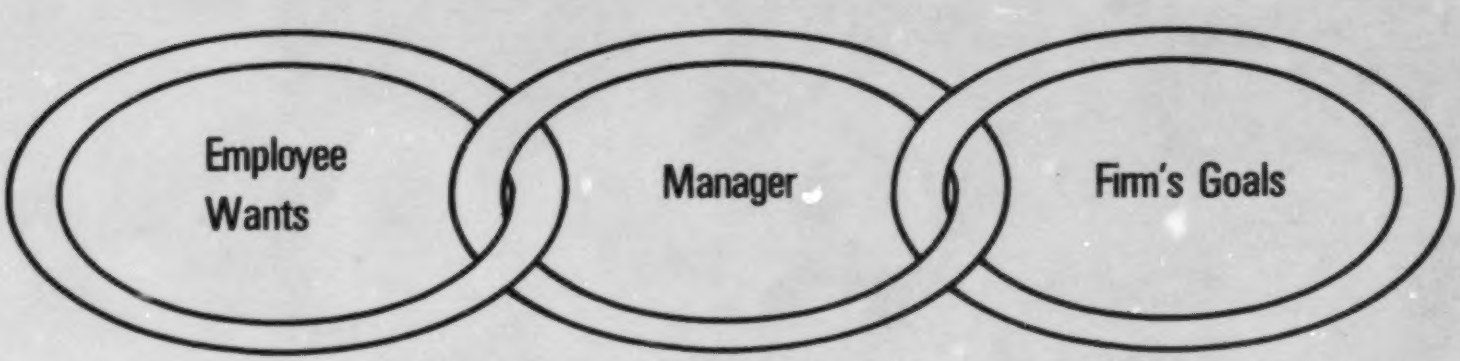
(Continued)

Stage V--Self-Fulfillment

Person reaches goal
Work is fun
Realizes full potential


SALES
TIPTONS GROC.

Linking Employee Wants to Firm's Goals


Employee Wants
Manager
Firm's Goals

Interesting Work ---- Coordinates ---- Congenial Work Group

Appreciation of Work ---- Communicates ---- Loyalty/Productivity

Opportunity to Advance ---- Integrates ---- Staff Development

Job Security ---- Adapts ---- Profits/Growth

Representation ---- Collaborates ---- Policies/Contacts

Implications for Managers

- Motivation does not mean doing things to or for people. It involves mixing (combining) the organization's goals together with the individual's desires and needs.
- Motivation... is in the eye of the beholder. One person's joy is another person's poison.
- Managers must look for constants (likenesses) in the workforce but provide for personal differences of each employee.
- People are not elevators with hot buttons. There is no laundry list of satisfiers that can be matched with a list of needs.
- The most realistic and most effective motivator is the job itself. Salary increases are less effective than the personal feeling of the employee that his or her job or work is making a valued contribution to the organization and that this job is satisfying personal goals.

Implications for Managers

(Continued)

- Workers want to satisfy a range of needs rather than satisfy one or two. Managers must provide for job enlargement and job enrichment.

- Employees are motivated when managers compliment good performance and express positive attitudes.

- There is no need to dissect employees. No manager has the right to psychoanalyze employees.

- An experimental approach is a must. Be an understanding friend; observe performance and measure the results; select technique for improvement; implement your plan, adapt or modify as you continue to observe performance and measure results.

- Best way to influence the thinking of others is to be open to others' ideas. Allow employees to influence (motivate) you. Whenever they see that their ideas are valued, they will begin to value management's recommendations.

SUPERVISORY SKILLS
UNIT I

ASSIGNMENT SHEET #1--DISTINGUISH BETWEEN DESIRABLE AND UNDESIRABLE SUPERVISORY TRAITS

NAME ______________________________ SCORE ______________

Managers at the supervisory level spend most of their time dealing in daily operations with employees. For this reason, it is important for all supervisory managers to develop desirable human relations practices. In this assignment, you will be required to determine which of the practices listed are desirable supervisory traits and which are undesirable supervisory traits. Place an "X" in the appropriate column below.

TRAIT	Desirable	Undesirable
A. Become anxious about getting the job done	________	________
B. Criticize constructively	________	________
C. Ignore suggestions	________	________
D. Assume authority that has not been given	________	________
E. Consider the feelings of others	________	________
F. Show genuine concern for others	________	________
G. Criticize privately	________	________
H. Give praise in public	________	________
I. Be willing to assume responsibility	________	________
J. Give up when the going gets tough	________	________
K. Arrive to work on time	________	________
L. Change company rules to meet your needs	________	________
M. Be open-minded and progressive	________	________
N. Show loyalty to the company	________	________
O. Procrastinate when meeting report deadlines	________	________

SUPERVISORY SKILLS
UNIT I

ASSIGNMENT SHEET #2–ANALYZE A MANAGEMENT SKILLS PROFILE

NAME ________________________________ SCORE ______________

Productivity is the nation's number one problem. Before managers can deal with the problem of how to increase the productivity of others, they must assess their own performance objectively. In this assignment you will be given the opportunity to assess *your* management abilities by rating yourself on the statements within a management skills profile. Use the scale of 1-10 as indicated below to complete the assignment.

Definite weakness. 1-4
Average. 5-7
Definite strength. 8-10

PART I--Rating scale

Circle the appropriate number to indicate your personal rating in each of the management qualifications.

Management Qualifications	RATING SCALE									
	WEAK				AVERAGE				STRONG	
Technical Knowledge	1	2	3	4	5	6	7	8	9	10
Previous Work Experience. . .	1	2	3	4	5	6	7	8	9	10
Intelligent	1	2	3	4	5	6	7	8	9	10
Creative.	1	2	3	4	5	6	7	8	9	10
Resourceful	1	2	3	4	5	6	7	8	9	10
Able to Communicate	1	2	3	4	5	6	7	8	9	10
Proficient in Math	1	2	3	4	5	6	7	8	9	10
Leadership Positions	1	2	3	4	5	6	7	8	9	10
Pleasant Personality.	1	2	3	4	5	6	7	8	9	10
Use of Sound Judgment	1	2	3	4	5	6	7	8	9	10
Able to Think Things Through	1	2	3	4	5	6	7	8	9	10
Hard Working	1	2	3	4	5	6	7	8	9	10
Healthy	1	2	3	4	5	6	7	8	9	10
Determined to Succeed	1	2	3	4	5	6	7	8	9	10
Honest.	1	2	3	4	5	6	7	8	9	10
Able to Plan Things Out	1	2	3	4	5	6	7	8	9	10
Able to Organize Things	1	2	3	4	5	6	7	8	9	10
Responsible for Own Actions	1	2	3	4	5	6	7	8	9	10
Able to Listen to Others	1	2	3	4	5	6	7	8	9	10
Willing to Take Risks.	1	2	3	4	5	6	7	8	9	10

ASSIGNMENT SHEET #2

PART II--Summary of management qualifications

A. Transfer information from Part I to the summary chart

B. Add the circled numbers vertically; then add the "(TOTALS)" column across

EXAMPLE:

SUMMARY CHART

MANAGEMENT QUALIFICATIONS											
Technical Knowledge	1	2	3	4	5	6	[✓ 7]	8	9	10	
Creative........................	1	2	3	[✓ 4]	5	6	7	8	9	10	
Able to Communicate............	1	2	3	4	5	6	7	[✓ 8]	9	10	
Leadership Positions............	1	2	3	4	5	6	7	[✓ 8]	9	10	
Pleasant Personality.............	1	2	3	4	5	[✓ 6]	7	8	9	10	
Use of Sound Judgment	1	2	3	4	[✓ 5]	6	7	8	9	10	
Able to Plan Things Out	1	2	3	4	5	[✓ 6]	7	8	9	10	
Able to Organize Things	1	2	3	[✓ 4]	5	6	7	8	9	10	
(TOTALS)				8	5	12	7	16			48

Mark your ratings and add your totals on this summary chart

SUMMARY CHART

MANAGEMENT QUALIFICATIONS											
Technical Knowledge	1	2	3	4	5	6	7	8	9	10	
Creative........................	1	2	3	4	5	6	7	8	9	10	
Able to Communicate............	1	2	3	4	5	6	7	8	9	10	
Leadership Positions............	1	2	3	4	5	6	7	8	9	10	
Pleasant Personality.............	1	2	3	4	5	6	7	8	9	10	
Use of Sound Judgment	1	2	3	4	5	6	7	8	9	10	
Able to Plan Things Out	1	2	3	4	5	6	7	8	9	10	
Able to Organize Things	1	2	3	4	5	6	7	8	9	10	
(TOTALS)											

ASSIGNMENT SHEET #2

PART III--Calculate your composite score

A. Multiply your "grand total" times 10

B. Divide your answer by 8

EXAMPLE:

(Grand total) 48 x 10 = 480

480 ÷ 8 = 60 (Composite score)

Calculate your composite score here

(Grand total) ____ x 10 = ____

____ ÷ 8 = ____ (Composite score)

PART IV--Analyze your composite score

80 - 100	You have real potential as a manager. Build on it.
60 - 80	You have average management qualifications. You should do all right, but there is certainly room for improvement.
40 - 60	Your personal management qualifications are weak. Be sure to ask for help when you feel it is needed.
Below 40	You will probably encounter a great deal of trouble in handling a management position. Think twice before you accept the position. Work on improving your skills first.

A. Do you agree with the scale given in PART IV? ____________________

Why or why not? ____________________

____

____

____

____

____

____

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____

ASSIGNMENT SHEET #2

B. What implications does this management skills profile have for your career plans? (In which areas do you need improvement? In which areas do you have definite strengths?) Write your response on the lines provided.

SUPERVISORY SKILLS
UNIT I

ASSIGNMENT SHEET #3--ORGANIZE ACTIVITIES SO THAT COMPANY AND EMPLOYEE EXPECTATIONS ARE MET

NAME____________________________________ SCORE __________________

Every manager must work with employees in such a manner that the objectives of the company are met. In order to get the firm's employees to cooperate, management must be aware of their needs. In the past, managers have been rather ineffective in determining the things that motivate workers. Consider these results of a study where employers and employees were asked to rank 10 work factors as they relate to employee wants.

WHAT MANAGERS THINK EMPLOYEES WANT	WORK FACTORS/MOTIVATORS	WHAT EMPLOYEES REALLY WANT
1	Good pay	5
2	Job security	4
3	Promotion and growth	6
4	Good working conditions	7
5	Interesting work	1
6	Tactful discipline	10
7	Loyalty to employees	8
8	Full appreciation for work done by employees	2
9	Help with personal problems	9
10	Feeling of being "in on things"	3

The way that the individuals responded to the survey gives an indication of their personal value system. These strong feelings/values must be considered by management as it makes decisions that will affect its employees. In this assignment you will use two lists: (1) Factors/values important to employees; and (2) factors/decisions important to employers to compare the two value systems.

PART I--Directions

Read the lists of important factors on the next page. Match management decisions to employee values. Write the applicable number(s) in the blanks provided. If more than one value relates to a decision, write all appropriate letters in the blanks.

ASSIGNMENT SHEET #3

Management Decisions

_____A. If quotas are not met, overtime without pay is required.

_____B. As department manager, you must give your employees detailed instructions, check up on them frequently, and enforce company procedures exactly.

_____C. As branch manager, we expect you to go to bat for your workers, show sincere interests in how they are getting along, keep your people informed of their progress/performance and use their ideas to improve operations.

_____D. After three months on this job you will be eligible to participate in the company's hospitalization insurance plan, sick leave, vacation leave, and retirement plan.

_____E. After three months on this job, you will be evaluated. If career status is granted to you, you may perform your job tasks as you deem necessary and appropriate.

_____F. Coffee area is provided for all employees.

_____G. Monthly social events are planned for staff only.

_____H. Bowling team membership is paid for all employees.

_____I. Child care center is maintained by firm.

_____J. Money is paid for written recommendations (suggestions) which are adopted by the firm.

Employee Values

1. Home/family--Limited travel; overtime is required.
2. Job security--Steady employment with retirement benefits.
3. Wages/profit sharing--Job satisfies employee's economic needs.
4. Variety--Tasks change from day to day.
5. Advancement--Person can move up in firm or society.
6. Creativity--Job allows individual to decide things, design, or change procedures.
7. Status--Job gives employee social/economic visibility and recognition.
8. Influence--Job allows person to direct, control, or persuade others within and outside the firm.
9. Responsibility -- Job requires person to be accountable for results and make decisions.
10. Independence--Job allows person to work alone or with minimum supervision.
11. Association/interaction -- Job allows person to work closely with people.
12. Activity oriented--Job requires employee to work with things rather than people.
13. Data oriented--Job requires person to work with facts and figures (paper work/desk work).

ASSIGNMENT SHEET #3

PART II

Select any two management decisions listed in Part I and tell how a manager might be able to organize the activity to meet company and employee expectations or values.

A. Management decision: ____

____

Organize the activity: ____

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B. Management decision: ____

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Organize the activity: ____

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SUPERVISORY SKILLS
UNIT I

ASSIGNMENT SHEET #4--SOLVE A MANAGEMENT CASE STUDY

NAME_______________________________ SCORE _______________

Managers are faced with problems every day. A good manager is able to identify those problems and work them through to effective solutions. There is no guarantee that the decision made will be the right one every time; however, managers are less likely to make impulsive judgments if they use an established decision-making process. Read the situation given below and complete the steps of the decision-making process.

PART I--CASE STUDY

Your best salesperson and most promising future management trainee has become consistently tardy. About two weeks ago you visited with the employee, and she explained that she was having trouble trying to get everything done each morning before coming to work. Since she lost her husband, and since school had begun, it has been increasingly difficult for her to get to work on time. Although she is to report to work at 7:30 a.m., she is generally 15-20 minutes late each morning. Although she has been frequently tardy, she is a hard worker, and her total work performance far exceeds all other employees.

Last Tuesday, the freight truck arrived with an extra large shipment for your store. Your promising employee was 45 minutes late. This meant that the truck driver and other employees had to work feverishly to get the truck unloaded before customers began to enter the store. She explained that her youngest child was ill with the flu all night and she was late getting around that morning.

Although she faces real personal/family problems and has been able to explain the causes for her tardiness, other employees think that she is receiving preferential treatment. Tension within the work group has continued to build since the truck-unloading incident last week. This situation requires your immediate attention.

PART II--ANALYSIS--How would you react if you were the department manager?

A. Identify the real problem.

____

____

____

B. Gather information.

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ASSIGNMENT SHEET #4

C. List possible solutions.

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D. Evaluate probable results of each solution.

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E. Decide on the best solution.

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SUPERVISORY SKILLS
UNIT I

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

A. Undesirable
B. Desirable
C. Undesirable
D. Undesirable
E. Desirable
F. Desirable
G. Desirable
H. Desirable
I. Desirable
J. Undesirable
K. Desirable
L. Undesirable
M. Desirable
N. Desirable
O. Undesirable

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3

PART I--Evaluated to the satisfaction of the instructor

(NOTE: Suggested responses are listed below.)

A. 1, 2, 9
B. 9, 11, 12
C. 2, 4, 5, 6, 7, 8, 11
D. 1, 2, 3
E. 5, 6, 7, 8, 9, 10
F. 11
G. 1, 6, 7, 11
H. 1, 3
I. 1
J. 3, 6, 8

PART II--Evaluated to the satisfaction of the instructor

Assignment Sheet #4--Evaluated to the satisfaction of the instructor

SUPERVISORY SKILLS
UNIT I

TEST

NAME______________________________ SCORE______________

1. Match terms associated with supervisory skills to their correct definitions. Write the correct numbers in the blanks. Terms and definitions are continued on the next page.

_____a. Arrangement of positions or jobs within a company as they relate to one another and as they fulfill operational needs

_____b. Person who directs activities of employees; responsible for departmental operations; lowest level of management

_____c. Process of relaying information through "unofficial," usually verbal, channels; communication outside the formal organization

_____d. Intangible, salable asset representing the reputation of the business and its relationship with its customers

_____e. Pay for work done

_____f. Rotation of an employee through several work areas so as to vary tasks performed and reduce boredom on the job

_____g. Involvement of employees in decision-making throughout the organization and operation of a company

_____h. Attitude of being committed to an idea

_____i. Returning information to an original source through some form of communication

_____j. Informal system of communication to relay information which is not available through formal channels

_____k. Process of relaying information, usually written, up and/or down the formal organizational channels of a business

_____l. Combine resources of the firm in order to work in harmony toward common goals

1. Compensate
2. Dedication
3. Feedback
4. First-line supervisor
5. Formal organization
6. Goodwill
7. Grapevine
8. Informal communication
9. Job enlargement
10. Job enrichment
11. Formal communication
12. Coordinate

TEST

_____m. Measure by which an activity is judged

_____n. Graphic representation of the division of work within the formal organization of a company

_____o. Degree to which a decision or act will result in increased profits for the company

_____p. Efficiency with which we use our resources: manpower, facilities, and raw materials; getting the most out of every dollar invested

_____q. Meet with employees in order to discuss and agree on terms of employment

_____r. Work together

_____s. Achieving maximum production with as little waste as possible

13. Efficiency
14. Collaborate
15. Negotiate
16. Organizational chart
17. Productivity
18. Profitability
19. Standard

2. Complete statements relating to tasks performed by first-line supervisors. Write your answers on the lines provided.

a. Avoid loss of sales by ______________________________________

____

b. Promote goodwill through ____________________________________

____

c. Increase profitability by ____________________________________

____

d. Increase sales by ____

____

e. Increase productivity of employees through ______________________

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____

f. Increase cooperation by _____________________________________

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TEST

g. Avoid errors by ____

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3. Discuss ways to be a good direct supervisor.

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4. Select from the following list characteristics of a good supervisor. Write an "X" in the blank before each correct answer.

_____a. Procrastinates when reports are due

_____b. Maintains a continuing education program

_____c. Understands subordinates' jobs completely

_____d. Possesses good interpersonal competencies

_____e. Practices irritating mannerisms

_____f. Participates in civic and community activities

_____g. Establishes a controversial image in the community

TEST

5. Arrange in order Maslow's hierarchy of needs. Write in the correct blanks a "1" for the first step, a "2" for the second step, and so on.

_____a. Esteem needs are associated with individual's desire to be recognized for accomplishments

_____b. Self-fulfillment needs are those which encourage individuals to aspire to a higher standard of living, to be totally satisfied with their position in life

_____c. Basic physiological needs are necessities of life: food, clothing, and shelter

_____d. Affection needs are those which make each individual want to belong to a group and to be loved

_____e. Safety needs deal with personal safety from harm, danger

6. Select from the following list aspects of productivity. Write an "X" in the blank before each correct answer.

_____a. Productivity has no effect on the overall operation of the company

_____b. Personal goals are satisfied by the company

_____c. Productivity cannot be measured by quantity and quality of output per employee work-hour

_____d. Overall efficiency of the operation is unlikely to reflect its ability to produce

7. Discuss ways to improve productivity.

____

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TEST

8. Select from the following list modern techniques of motivation. Write an "X" in the blank before each correct answer.

_____a. Be rigid when providing benefits and making decisions

_____b. Work methods, work stations, products or services must be planned and implemented only by management

_____c. Provide inadequate safety conditions, pay, fringe benefits, and confining working conditions

_____d. Provide access to resources needed to make tasks less frustrating and more easily or smoothly performed

_____e. Compensate employees for work done

_____f. Use fringe benefits to aid in showing employee acceptance by the company

_____g. Coerce workers to perform their jobs

9. Distinguish between motivation and maintenance factors. Write a "V" for motivation factors and an "M" for maintenance factors in the blanks.

_____a. Understanding supervisors

_____b. Good communications

_____c. Job security

_____d. Earned recognition

_____e. Achievement or job success

_____f. Written company policies

_____g. Status or rank within the company

_____h. Interpersonal relationships

_____i. Type of work

_____j. Vertical job enlargement

_____k. Established pay schedule

_____l. Increased authority and/or freedom

_____m. Horizontal job enlargement

_____n. Fringe benefits

_____o. Good working conditions

TEST

_____p. Increased responsibility

_____q. Outside influences that help prevent worker dissatisfaction

_____r. Thoughts, ideas, and opinions from the employee which can help create job satisfaction

10. Select from the following list ways of linking personal and company goals. Write an "X" in the blank before each correct answer.

_____a. Integrate employee wants and company goals

_____b. Communicate information to employees

_____c. Adapt work to employees

_____d. Coordinate employee desires with company expectations

_____e. Collaborate or negotiate with employees

(NOTE: Test questions 11-14 list the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

11. Distinguish between desirable and undesirable supervisory traits.

12. Analyze a management skills profile.

13. Organize activities so that company and employee expectations are met.

14. Solve a management case study.

SUPERVISORY SKILLS
UNIT I

ANSWERS TO TEST

1. a. 5
   b. 4
   c. 8
   d. 6
   e. 1
   f. 9
   g. 10
   h. 2
   i. 3
   j. 7
   k. 11
   l. 12
   m. 19
   n. 16
   o. 18
   p. 17
   q. 15
   r. 14
   s. 13

2. a. Maintaining adequate stock of merchandise and supplies in their proper places
   b. Proper handling of returned merchandise, customer questions and complaints
   c. Supervising all department operations
   d. Training staff and coordinating advertising
   e. Proper work assignments and orientation to jobs assigned
   f. Maintaining verbal and written communications with customers, employees, suppliers, and executive management
   g. Listening to others and by reviewing all written information before it is made available to others

3. Discussion should include
   a. Set definite goals
      1) Arrange goals in order of priority
      2) State standards of performance in advance
      3) Keep objectives clearly in view at all times
      4) Communicate messages by using facts or illustrations

ANSWERS TO TEST

b. Supervise the *work* more than the *worker*

c. Distinguish between essential and non-essential rules

  1) Essential--Basic values or rules that hold the organization together; require perfect compliance or quick, definite, and strong disciplinary action

  2) Non-essential--Convenient and recognized practices which can be enforced less authoritatively

d. Give credit where credit is due

e. Listen sympathetically; maintain an open-door policy to allow employees to voice opinions, make recommendations

f. Use an "inner circle"

g. Defend the organization

h. Protect the status of subordinates

i. Retain final control

j. Involve employees in decision-making process

  1) Avoid making changes until facts and insights have been shared with the work group

  2) Involve employees in the discussion, design, and implementation of new procedures or activities

k. Distinguish business from personal matters

l. Check details daily

4. b, c, d, f

5. a. 4

   b. 5

   c. 1

   d. 3

   e. 2

6. b

ANSWERS TO TEST

7. Discussion should include
    a. Tie employees' compensation to their performances and the firm's profits
    b. Allow employees to participate in decisions affecting their department or job
    c. Tell employees what is important
    d. Give employees positive feedback on their performances

8. d, e, f

9. a. M
    b. M
    c. M
    d. V
    e. V
    f. M
    g. M
    h. M
    i. V
    j. V
    k. M
    l. V
    m. V
    n. M
    o. M
    p. V
    q. M
    r. V

10. a, b, c, d, e

11. Evaluated to the satisfaction of the instructor

12. Evaluated to the satisfaction of the instructor

13. Evaluated to the satisfaction of the instructor

14. Evaluated to the satisfaction of the instructor

    (NOTE: Suggestions for the answers to questions #11 and #13 appear in the Answers to Assignment Sheets.)

STORE ORGANIZATION
UNIT II

UNIT OBJECTIVE

After completing this unit, the student should be able to demonstrate the ability to develop and utilize appropriate lines of internal communications and responsibility within a business. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with store organization to their correct definitions.
2. Select from a list management principles relating to business organization.
3. Discuss reasons organization is necessary.
4. Distinguish among the forms of business ownership.
5. Describe characteristics of businesses operating under different forms of business ownership.
6. List basic retailing activities for which organization is usually provided.
7. Distinguish among characteristics of each step used to determine job responsibility and qualifications.
8. Name job titles and activities performed by various managers.
9. Select from a list characteristics of the types of division of work represented on an organizational chart.
10. Distinguish among characteristics of the various types of business organization.
11. Distinguish among ways formal and informal organizations affect productivity.
12. Solve a management case study.
13. Interview your training sponsor for basic information about your company and job.
14. Distinguish between occupations involving line and staff personnel functions.
15. Construct an organizational chart for your training station.

STORE ORGANIZATION
UNIT II

SUGGESTED ACTIVITIES

I. Suggested activities

   A. Order materials planned to supplement unit.

      1. *Business, Behaviorism and the Bottom Line.* Color, 23 minutes, CRM, n.d. Available from CRM, McGraw-Hill, 110 Fifteenth Street, Del Mar, California 92014. This film demonstrates how to overcome organizational problems through working with employees.

      2. Check with your local library for films, brochures, and other free-loan materials.

   B. Make transparencies.

   C. Provide students with objective sheet.

   D. Provide students with information and assignment sheets.

   E. Discuss unit and specific objectives.

   F. Discuss information and assignment sheets.

   G. Ask leading questions to stimulate student participation in discussion.

      EXAMPLE: Put TM #1 on an overhead and ask: "What steps should have been taken to prevent this problem? What happened . . . What went wrong . . . Why did it happen? Who is ultimately responsible for this situation?"

   H. Arrange for a person from each form of business ownership to speak to students.

      (NOTE: Be sure to provide enough time for a question and answer session.)

   I. Have students write job description for their training station job. Use the job description in coordination activities.

   J. Give test.

   K. Reteach and retest if necessary.

II. Instructional materials

   A. Objective sheet

   B. Suggested activities

SUGGESTED ACTIVITIES

C. Information sheet

D. Transparency masters

  1. TM #1--Why Organization is Necessary
  2. TM #2--Division of Responsibility in a Small Firm (Sole Proprietorship)
  3. TM #3--Division of Responsibility in Partnership
  4. TM #4--Division of Responsibility in a Large Store (Corporation)
  5. TM #5--Franchise Ownership
  6. TM #6--Line Organization
  7. TM #7--Functional or Staff Organization
  8. TM #8--Line and Staff Organization
  9. TM #9--Organization's View of Boss

E. Assignment sheets

  1. Assignment Sheet #1--Solve a Management Case Study
  2. Assignment Sheet #2--Interview Your Training Sponsor for Basic Information About Your Company and Job
  3. Assignment Sheet #3--Distinguish Between Occupations Involving Line and Staff Personnel Functions
  4. Assignment Sheet #4--Construct an Organizational Chart for Your Training Station

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Hailes, William D., Jr., and Raymond T. Hubbard. *Small Business Management.* Albany, New York: Delmar Publishers, 1977.

C. Hiserodt, Donald D. *Psychology and Human Relations in Marketing.* New York: Gregg Division/McGraw-Hill Book Company, 1969.

SUGGESTED ACTIVITIES

D. Nelson, Robert E., James A. Leach, and Thomas J. Scalan. *Owning and Operating a Small Business: Strategies for Teaching Small Business Ownership and Management.* Illinois: State Board of Education, Office of Education, June, 1976.

E. U.S. Small Business Administration. *Job Analysis, Job Specification and Job Description.* Washington, D.C.: U.S. Government Printing Office, 1980.

F. U.S. Small Business Administration. *Presentor's Guide Series: Choosing a Form of Organization for Small Business.* Washington, D.C.: U.S. Government Printing Office, 1980.

G. Williams, John W., and Steven A. Eggland. *Communicating at Work.* Cincinnati: South-Western Publishing Company, 1979.

STORE ORGANIZATION
UNIT II

INFORMATION SHEET

I. Terms and definitions

A. Chain of command--Direct channel of authority, responsibility, and communication used by an organization

B. Charter--Outlines the powers and privileges granted to a corporation by a state

C. Dividends--Corporate profits distributed according to the number of shares of stock held by an individual

D. Division of work--Manner in which a company separates work responsibilities

(NOTE: Vertical division of work shows direct chain of responsibility. Horizontal division of work represents different duties or functions which have similar authority.)

E. Entity--Individual or corporation capable of being sued and/or filing suit in a court of law

F. Franchise--Contract between a base company and a distributor to sell products and/or services under specific conditions

G. Franchisee--Company which is granted the right to market another company's goods or services in a specified territory as outlined in a franchise agreement

H. Franchisor--Company which grants another firm the right to market their goods or services in a specified territory as outlined in a franchise agreement

I. Job analysis--Examination of facts concerning content, responsibility, and processes in each job within a company, and the types of workers and personal abilities required to do the job

J. Job description--Summary of important facts about a job, including specific job tasks to be performed

K. Job specification--Summary of personal requirements necessary to be successful in a specific job

L. Liaison--Contact person between two or more groups of people

M. Limited liability--Responsibility for debts only to the amount of investment

N. Line position--Position held by an individual who controls and directs business operations in such a manner that goals of the company are achieved

O. Span of control--Number of subordinates that a manager supervises

INFORMATION SHEET

P. Staff position--Position held by an individual who provides advice to others, has no authority over other parts of the organization

Q. Unlimited liability--Responsibility for all debts incurred by a business

II. Management principles relating to business organization (Assignment Sheet #1)

A. Objectives of the business control activities

B. Allowances must be provided for individual differences

C. Specialization is desirable

D. Lines of control must be defined

E. Flexibility must be provided

III. Reasons organization is necessary (Transparency #1)

A. Identifies types of work to be done

B. Indicates who is responsible for various tasks

C. Indicates how different types of work are coordinated

D. Indicates appropriate lines of internal communications

E. Helps eliminate duplication of work

F. Helps identify neglected functions

G. Makes it possible for people to work together more effectively

H. Identifies the span of control for each position

IV. Forms of business ownership (Transparencies #2, #3, #4, and #5)

(NOTE: The organizational system used by a company is directly related to its form of business ownership.)

A. Sole proprietorship

1. Owned and managed by one person
2. One person is responsible for operation of the business
3. Owner is entitled to all profits
4. Owner has unlimited liability

INFORMATION SHEET

B. Partnership

1. Owned by two or more people
2. Owners share responsibility for operation of business, as agreed
3. Owners share profits on an equal basis, or otherwise as agreed
4. Owners have unlimited liability

C. Corporation

(NOTE: Subchapter S corporations have basically the same characteristics as other corporations, but under law are taxed as partnerships.)

1. Owned by stockholders
2. Powers and authority are granted by a corporate charter
3. Board of directors makes general policy decisions and oversees operations
4. Managers make day-to-day decisions
5. Stockholders receive share of profits through dividends
6. Stockholders have limited liability
7. Business is considered a legal entity

   EXAMPLE: A corporation may sue and be sued by another corporation or individual

D. Franchise

(NOTE: It is not really a separate form of business ownership, but rather a contractual agreement between two companies.)

1. Independently owned from franchisor
2. May be a sole proprietorship, partnership, or corporation
3. Franchisee is responsible for operation of the business, subject to the franchise agreement
4. Owner(s) is entitled to all profits

V. Characteristics of businesses operating under different forms of business ownership (Transparencies #2, #3, #4, and #5)

(NOTE: Any kind of business may operate under any of the three major forms of business ownership; however, there are particular types that are generally organized under each form.)

INFORMATION SHEET

A. Sole proprietorship

1. Businesses that sell merchandise or a service on a small scale

   EXAMPLES: Restaurants, clothing stores, gasoline service stations, dry cleaners, newspaper stands

2. Businesses that deliver a personal service

   EXAMPLES: Dentists, lawyers, barbershop, television repair shops, pest control services

B. Partnership

1. Businesses that provide more than one good or service

2. Usually found in the same types of businesses as sole proprietorship

   EXAMPLES: Automobile sales and service companies, grocery and meat markets, television sales and service centers

C. Corporation

1. Businesses that need large amounts of capital

   EXAMPLES: Large chain-store operations, transportation companies, manufacturing companies

2. Businesses that may have an uncertain future and the owners do not wish to assume unlimited liability

   EXAMPLES: Amusement parks, magazine companies, new technology developers

D. Franchise--Businesses that conform to standardization

EXAMPLES: McDonald's Restaurants, Holiday Inn, Pizza Hut

VI. Basic retailing activities for which organization is usually provided

A. Buying activities

B. Selling activities

C. Operating activities

EXAMPLES: Store protection and maintenance, purchasing, merchandise handling and storage, personnel, customer services

D. Controlling activities

EXAMPLES: Finance, accounting

INFORMATION SHEET

VII. Steps used to determine job responsibility and qualifications (Assignment Sheet #2)

- A. Job analysis
  - 1. Method for obtaining important information about a job
    - a. Identifies which physical and mental tasks are to be performed
    - b. Explores the methods used and equipment necessary to complete the task
    - c. Provides a brief explanation of the purpose and responsibilities involved in performing the task
    - d. Shows relationships of task to other jobs
  - 2. Used to write job description and specification
- B. Job description
  - 1. Task-oriented information taken from job analysis
  - 2. Summary of important facts about a job
    - a. Provides a descriptive job title
    - b. States general nature of work performed
    - c. Lists major duties

      EXAMPLES: Responsibility for quality and quantity of work, safety information, equipment needed, decisions to be made, schedules to be met
    - d. Lists minor job duties or duties performed only occasionally
    - e. Identifies the relationship of the job to other jobs
    - f. Tells whom the employee supervises and to whom she or he reports
- C. Job specification
  - 1. Employee-oriented information taken from job analysis
  - 2. Summary of personal requirements necessary for job
    - a. Describes education necessary for job
    - b. Indicates previous or related work experience that a new employee should have

INFORMATION SHEET

c. Lists knowledge and skills required in the job

d. Details special physical and/or mental abilities required for the job

VIII. Job titles and activities performed by various managers

A. Department manager

1. Supervises and coordinates activities of workers in department
2. Assigns duties and coordinates work schedules
3. Handles customer complaints
4. Approves checks and issues refunds

B. Merchandise manager

1. Supervises all merchandising activities
2. Formulates policies
3. Determines markup percentages needed for profit
4. Determines quantity of merchandise to be stocked

C. Buyer

1. Selects and orders merchandise
2. Trains employees in department
3. Prices items for sale
4. Authorizes payment of invoices or return of merchandise

D. Director of services

1. Directs building maintenance and warehousing
2. Arranges for storage of merchandise
3. Acts as liaison between firm and transportation companies that deliver merchandise

E. Advertising and display manager

1. Evaluates staff artists' and copywriters' proposed ads for various media
2. Approves displays and controls their implementation

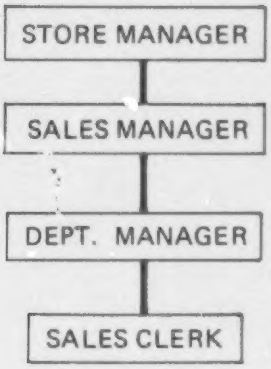
INFORMATION SHEET

IX. Division of work represented on an organizational chart (Transparencies #3, #6, #7, and #8; Assignment Sheet #3)

(NOTE: A solid line on an organizational chart represents a line position/function and a direct channel of authority. Broken/dotted lines represent a functional or staff responsibility.)

A. Vertical division of work

EXAMPLE:

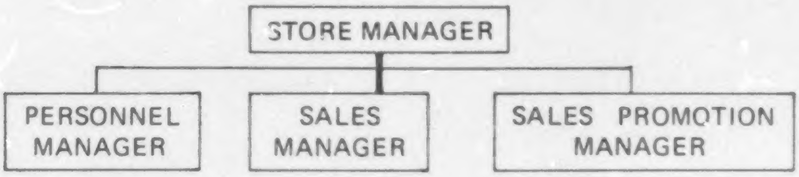

STORE MANAGER
SALES MANAGER
DEPT. MANAGER
SALES CLERK

1. Shows the chain of authority and responsibility from top manager to lowest-ranking employee

2. Indicates direct channel of communication from top to bottom or bottom to top

B. Horizontal division of work

EXAMPLE:


STORE MANAGER
PERSONNEL MANAGER
SALES MANAGER
SALES PROMOTION MANAGER

1. Shows division of work according to work performed

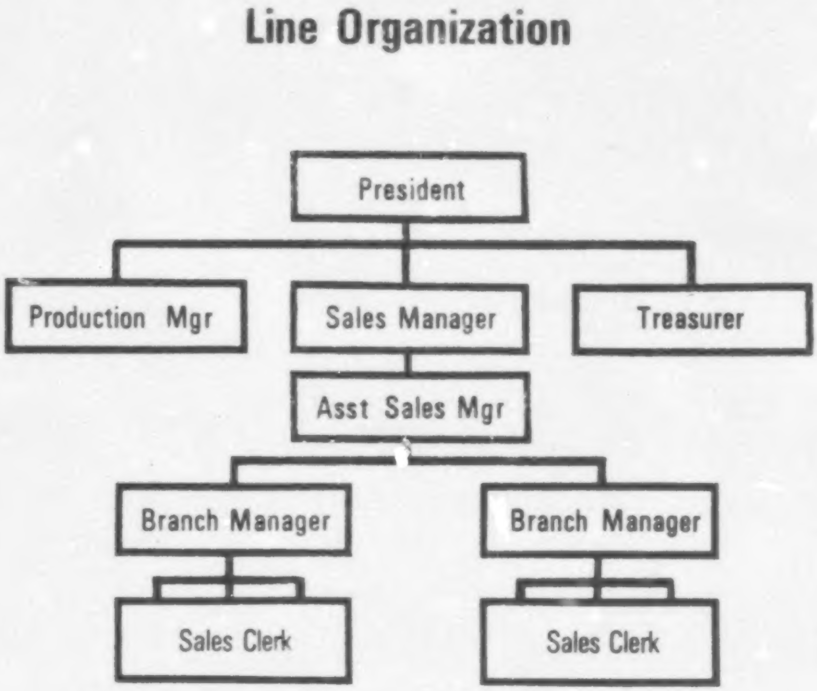
2. Indicates a lateral channel of communication: same level of authority for each job within the level

INFORMATION SHEET

X. Characteristics of the various types of business organization (Assignment Sheet #4)

A. Line--Clearly defines lines of supervision, promotion, and communication (Transparency #6)

EXAMPLE:


Line Organization
President
Production Mgr
Sales Manager
Treasurer
Asst Sales Mgr
Branch Manager
Branch Manager
Sales Clerk
Sales Clerk

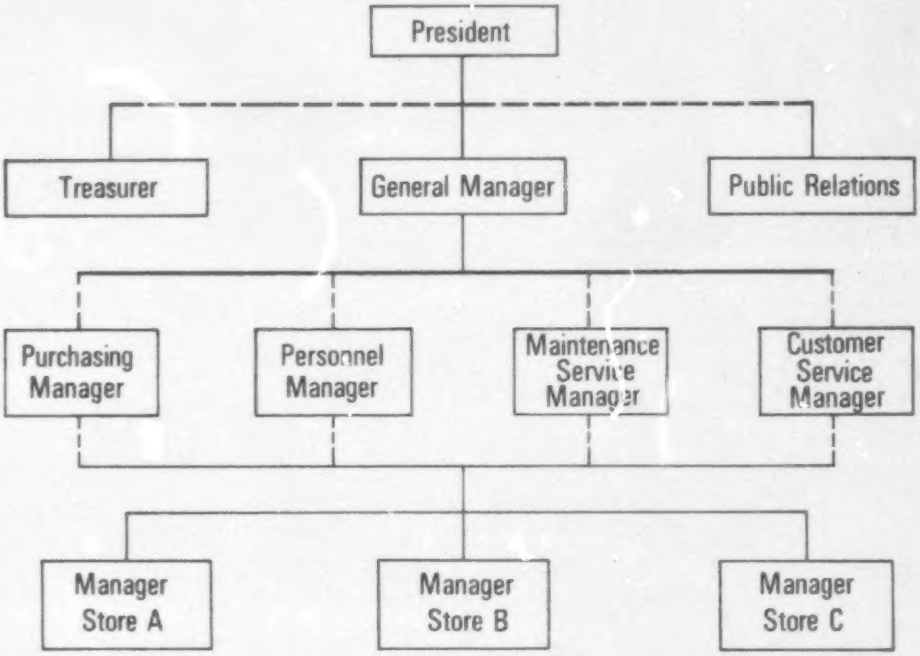
1. Advantages
    a. Easy to understand the chain of command
    b. Identifies a *direct* line of authority
    c. Functions smoothly and quickly
2. Disadvantages
    a. Makes little use of specialized skills
    b. Too simple for a complex organization

INFORMATION SHEET

B. Functional or staff--Each function of the business has a specialist who supervises all personnel working within the area of specialty (Transparency #7)

EXAMPLE:

Functional or Staff Organization


President
Treasurer
General Manager
Public Relations
Purchasing Manager
Personnel Manager
Maintenance Service Manager
Customer Service Manager
Manager Store A
Manager Store B
Manager Store C

1. Advantage--Practices maximum use of company's specialists
2. Disadvantage--Confusion in responsibilities may result from too many bosses

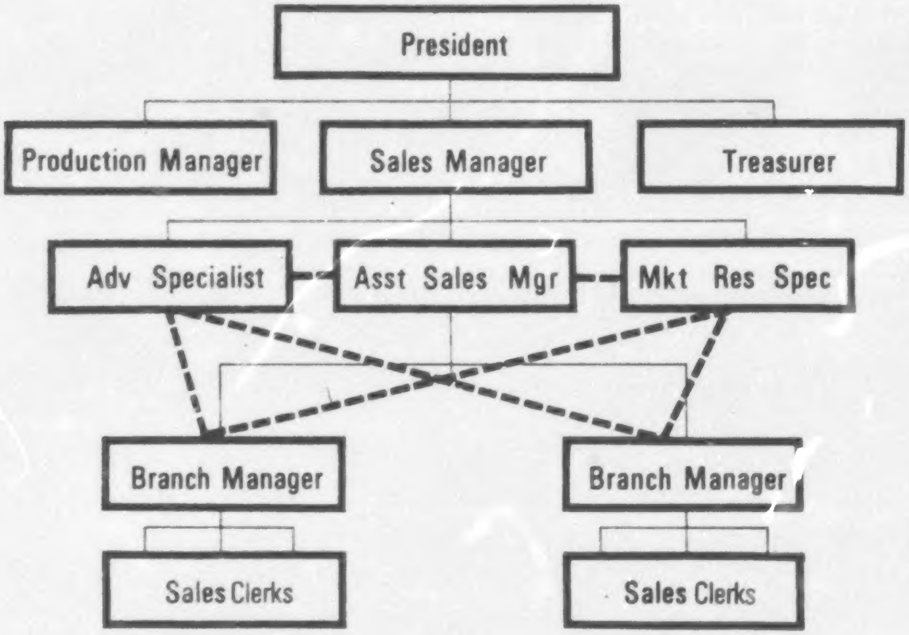
   EXAMPLE: One employee may be required to report to more than one supervisor

INFORMATION SHEET

C. Line and staff--Combines features of both line organization and functional or staff organization (Transparency #8)

EXAMPLE:

Line and Staff Organization


President
Production Manager
Sales Manager
Treasurer
Adv Specialist
Asst Sales Mgr
Mkt Res Spec
Branch Manager
Branch Manager
Sales Clerks
Sales Clerks

1. Advantage--Same advantages as both line and functional or staff organizations

2. Disadvantages

   a. Requires many supervisors

   b. Sometimes dual lines of authority develop

INFORMATION SHEET

XI. Ways formal and informal organizations affect productivity

(NOTE: The *formal* organizational chart shows how the firm wants its people to deal with each other. The *informal* organization is the way people interact with each other within the firm.)

A. Formal organization (Transparencies #6, #7, and #8)

1. Lines of authority and responsibility are established

2. Output channels are identified to prevent duplication

   EXAMPLES: Who plans policies or makes rules? Who organizes materials, machines, staff? Who coordinates and motivates personnel? Who maintains quality and quantity control?

3. Various tasks are assigned and coordinated to prevent neglect, mistakes, and conflicts

   EXAMPLES: Who is responsible for washing show windows? Who answers customer complaints? Who decides whether clerk continues pricing goods or helps with display?

4. Final decision-makers are identified for each function and task

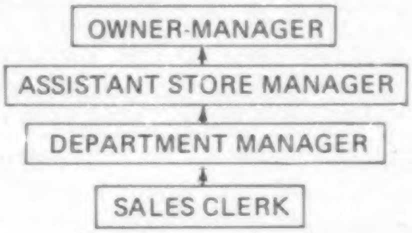
   EXAMPLES: If store manager is out of store, who is in charge? Who verifies checks and credit purchases?

5. Communication procedures are set

   EXAMPLES: Periodic briefings by supervisor at store meetings; store or employee manual states policies; house organs or bulletins update staff; bulletin boards post notices and rules; financial reports and inventories are routed properly

6. Advancement steps are identified

   EXAMPLE:



INFORMATION SHEET

B. Informal organization (Transparency #9)

1. Every employee acts as a vehicle for communication, recognition, and appreciation

2. Employees are emotional beings who assume roles as parent, adult, and child

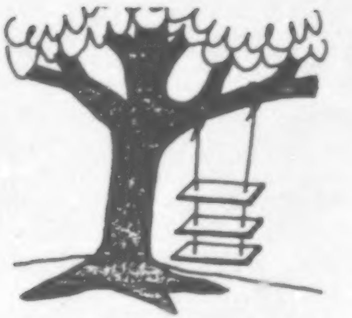
3. Employees see others in relation to how they view themselves

   EXAMPLES: Employees who like child's play will seek others who like to tease each other. They are looking for a FUN-visor. Insecure or immature employees might prefer MANager who acts as parent-type. Adults prefer SUPERvisor

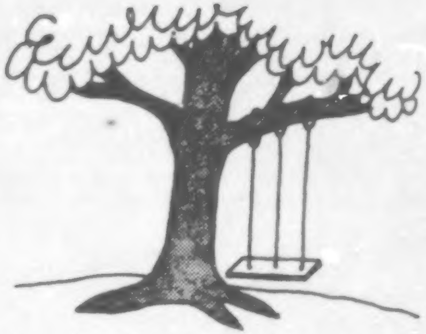
4. Grapevine and natural groupings carry information and affect operations to greater degree than official channels or work units

   EXAMPLES: Free thought and suggestions flow openly; natural problem-solving committees; more doors are open and directives given

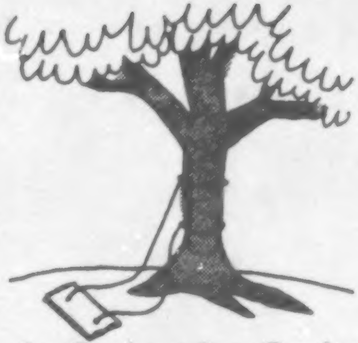
Why Organization is Necessary



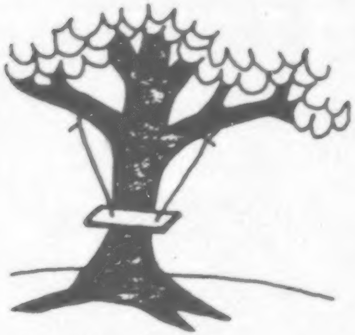
Marketing Requested it...



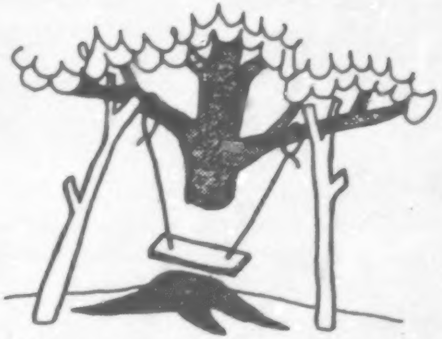
As Sales Ordered it...



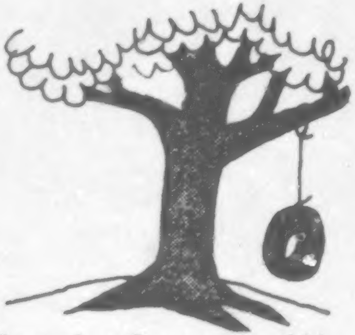
As Engineering Designed it...



As We Manufactured it ...



As Plant Installed it...



What the Customer Wanted

TM #1

BMO - 79-C

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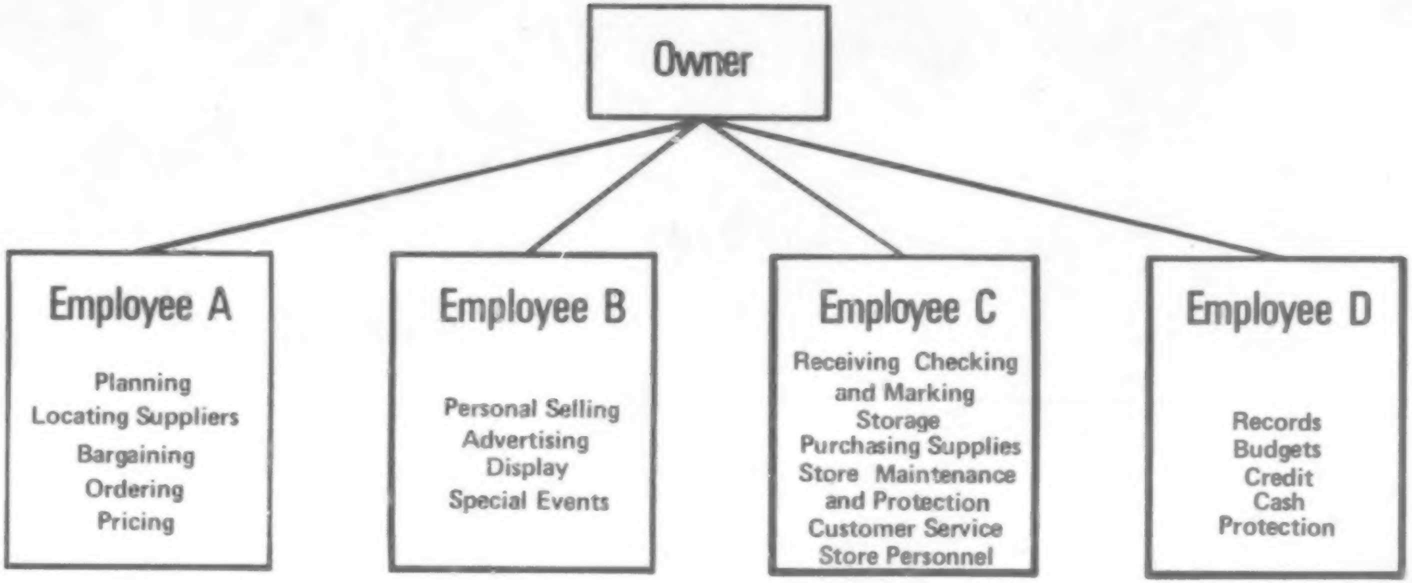
Division of Responsibility in a Small Firm

(Sole Proprietorship)



Owner

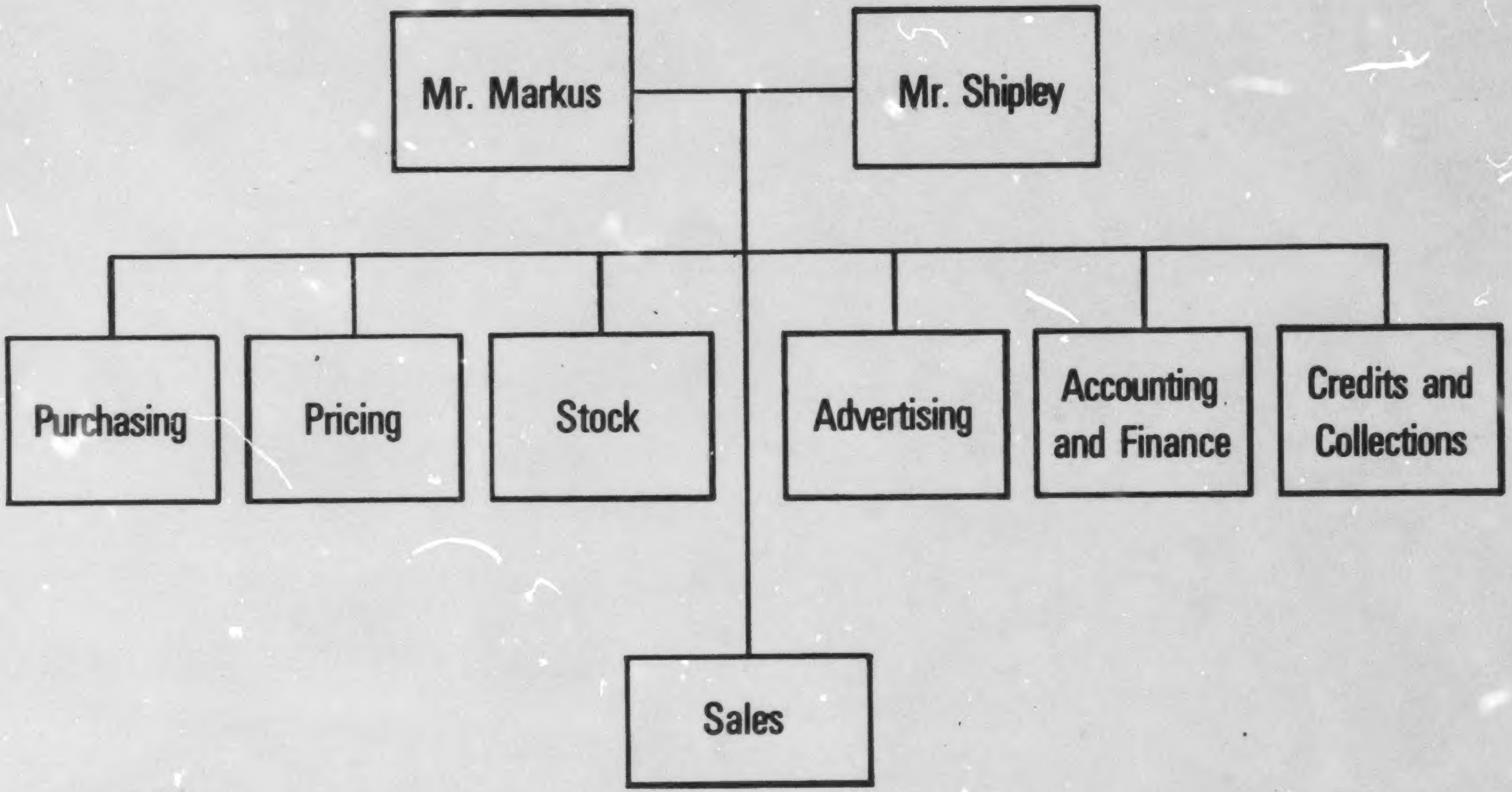
Employee A
- Planning
- Locating Suppliers
- Bargaining
- Ordering
- Pricing

Employee B
- Personal Selling
- Advertising
- Display
- Special Events

Employee C
- Receiving Checking and Marking
- Storage
- Purchasing Supplies
- Store Maintenance and Protection
- Customer Service
- Store Personnel

Employee D
- Records
- Budgets
- Credit
- Cash
- Protection

Division of Responsibility in Partnership



Mr. Markus

Mr. Shipley

Purchasing

Pricing

Stock

Advertising

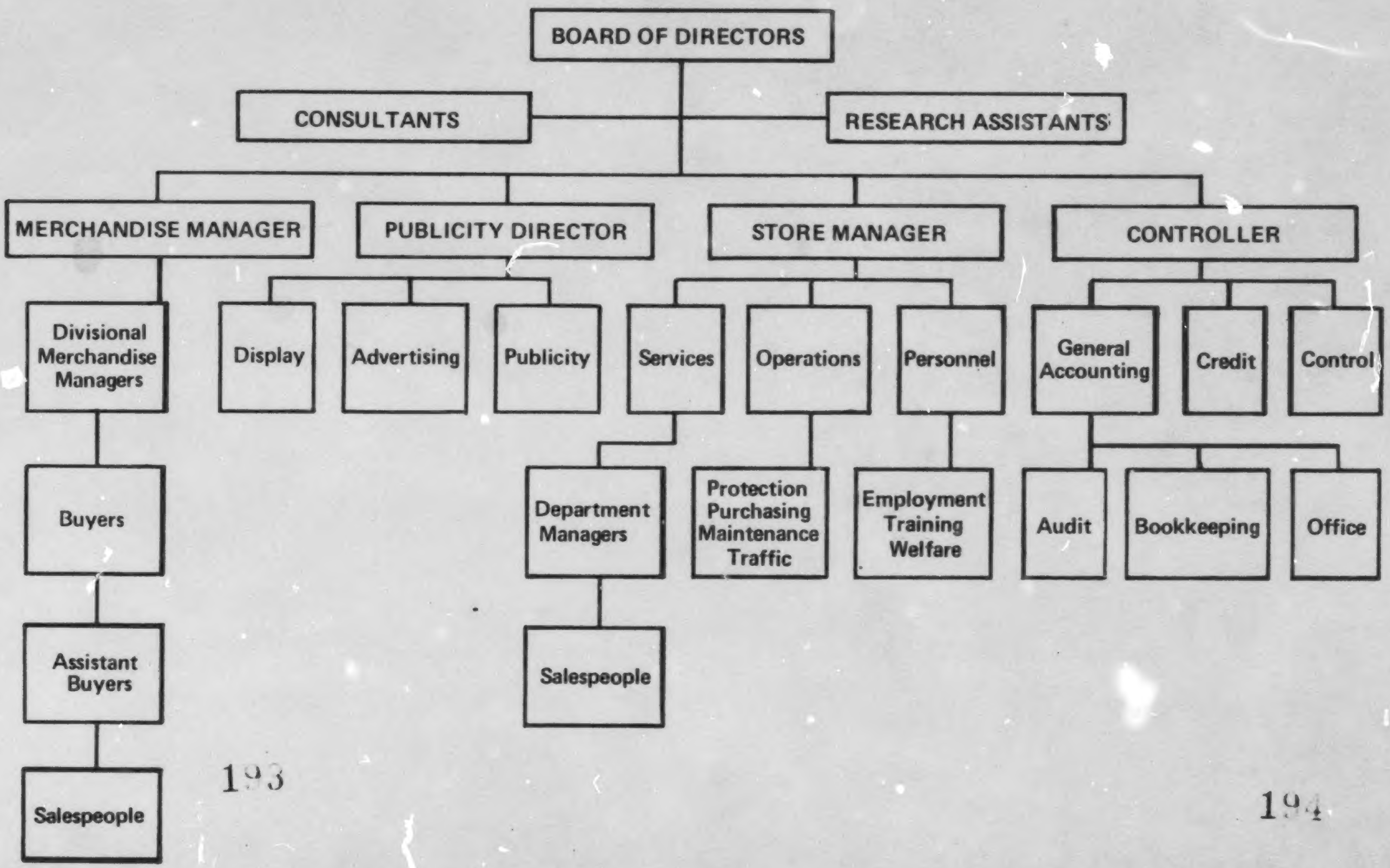
Accounting and Finance

Credits and Collections

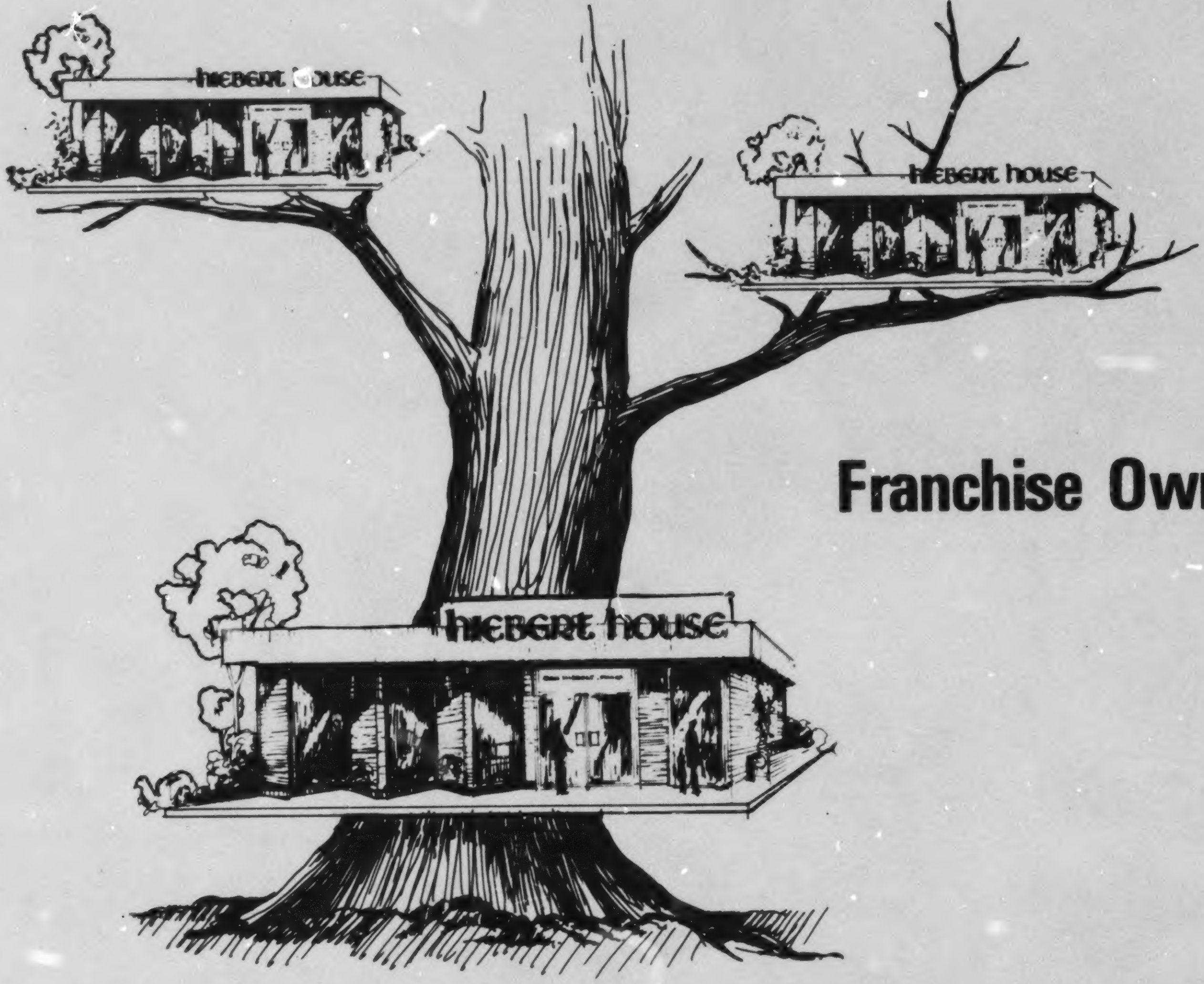
Sales

Division of Responsibility for Large Store

(Corporation)



- BOARD OF DIRECTORS
  - CONSULTANTS
  - RESEARCH ASSISTANTS
  - MERCHANDISE MANAGER
    - Divisional Merchandise Managers
      - Buyers
        - Assistant Buyers
          - Salespeople
  - PUBLICITY DIRECTOR
    - Display
    - Advertising
    - Publicity
  - STORE MANAGER
    - Services
      - Department Managers
        - Salespeople
    - Operations
      - Protection
Purchasing
Maintenance
Traffic
    - Personnel
      - Employment
Training
Welfare
  - CONTROLLER
    - General Accounting
      - Audit
      - Bookkeeping
      - Office
    - Credit
    - Control

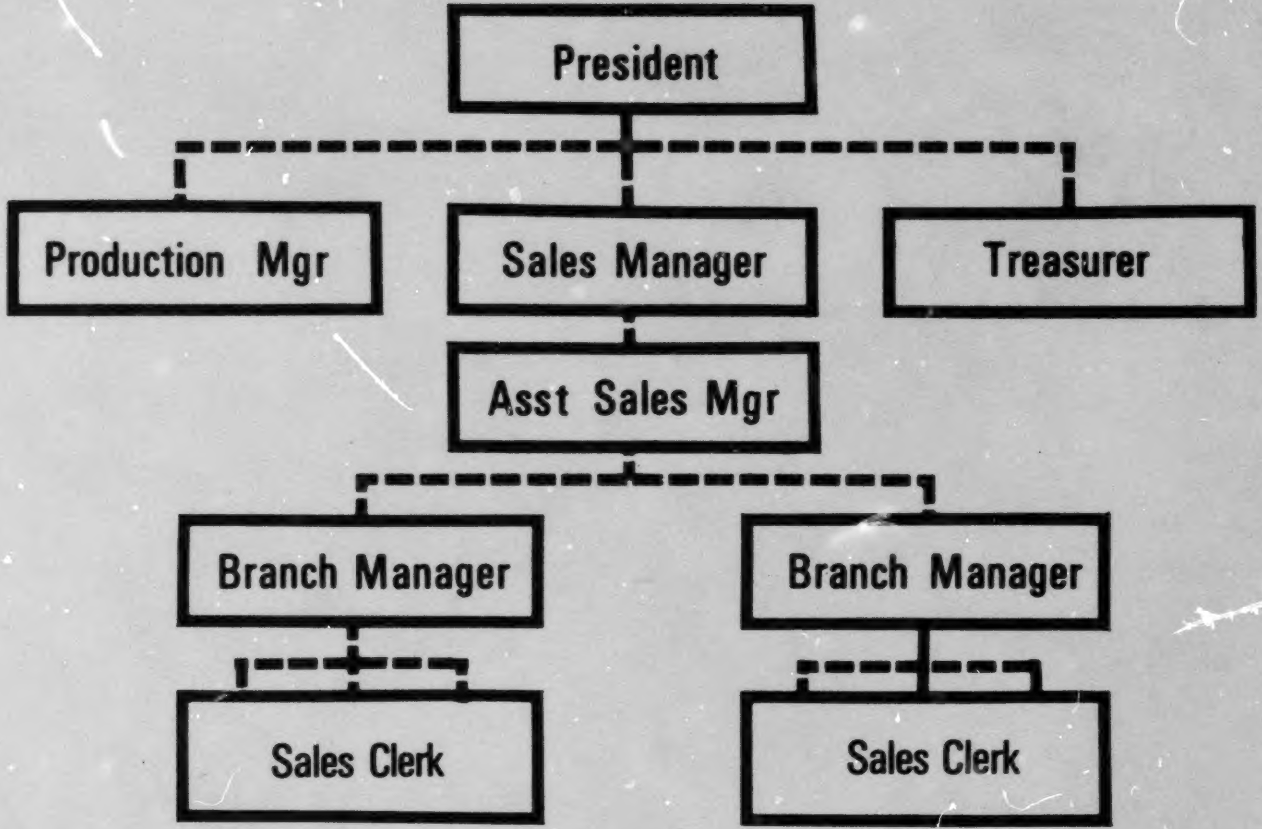

hiebert house
hiebert house
hiebert house

Franchise Ownership

TM #5

BMO-87-C

Line Organization



President

Production Mgr

Sales Manager

Treasurer

Asst Sales Mgr

Branch Manager

Branch Manager

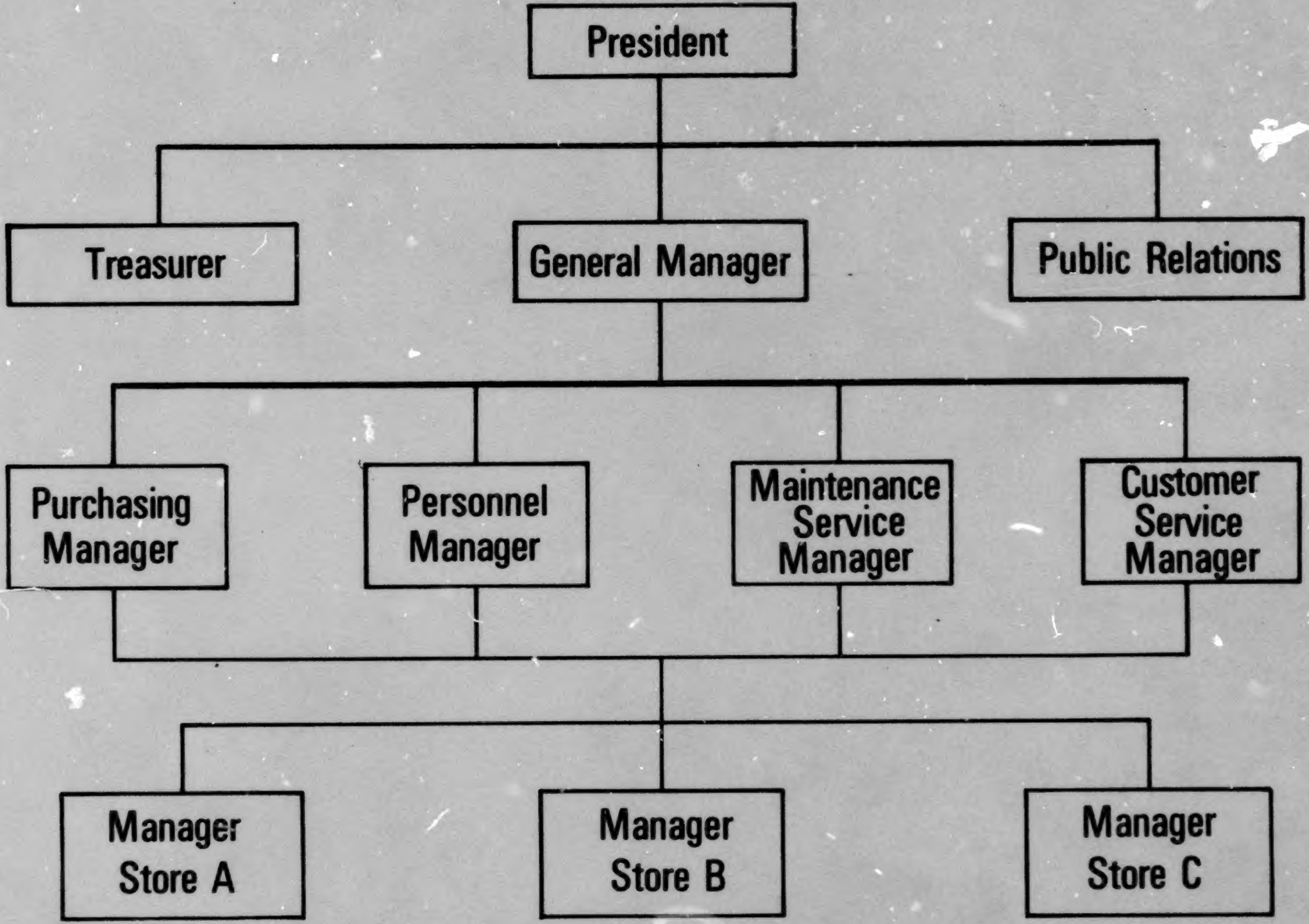
Sales Clerk

Sales Clerk

TM #6

BMO - 89-C

Functional or Staff Organization



President

Treasurer

General Manager

Public Relations

Purchasing Manager

Personnel Manager

Maintenance Service Manager

Customer Service Manager

Manager Store A

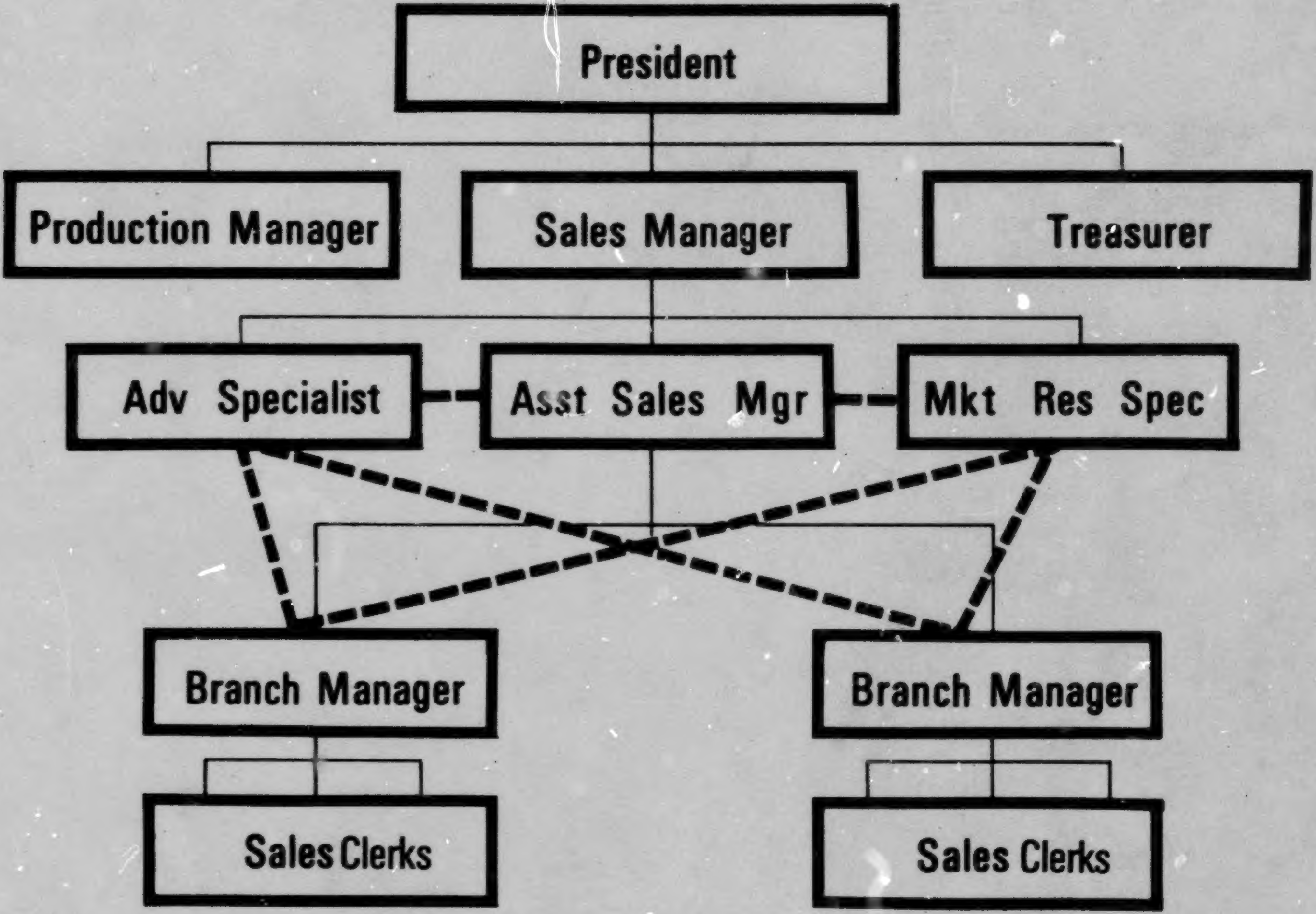
Manager Store B

Manager Store C

TM #7

BMO-91-C

Line and Staff Organization



President

Production Manager

Sales Manager

Treasurer

Adv Specialist

Asst Sales Mgr

Mkt Res Spec

Branch Manager

Branch Manager

Sales Clerks

Sales Clerks

TM #8

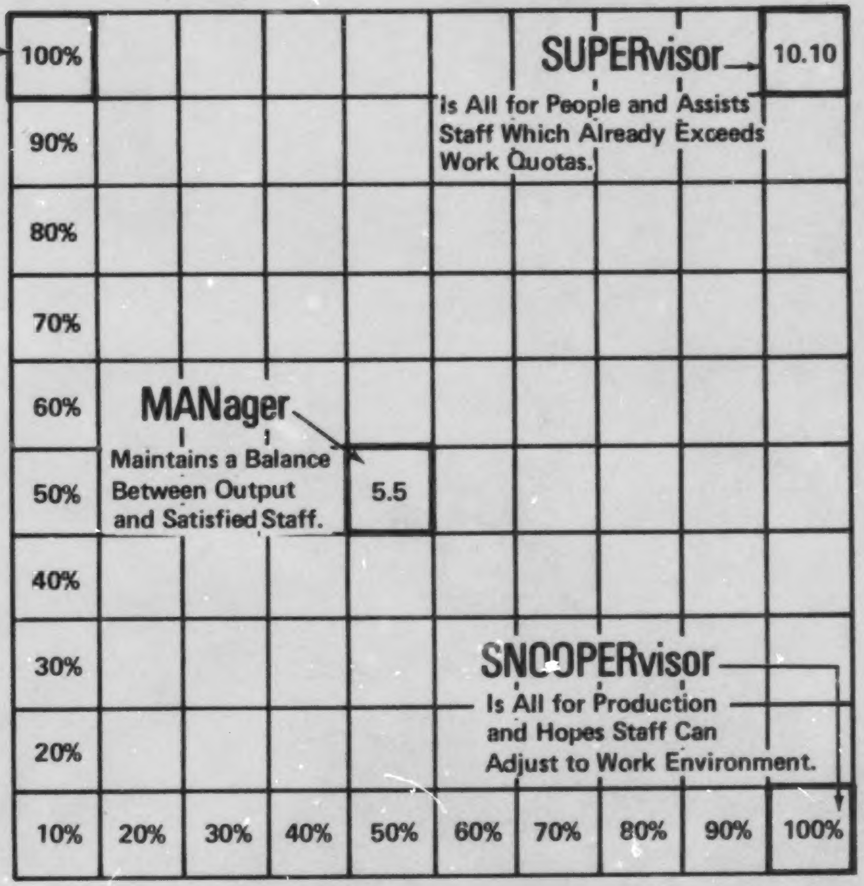
BMO - 93-C

Organization's View of Boss

FUNvisor

Is 100% for Enjoying Self and Entertaining Others. If Work Gets Done, that's OK Too.

People-Oriented


100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
10.10
5.5

SUPERvisor

Is All for People and Assists Staff Which Already Exceeds Work Quotas.

MANager

Maintains a Balance Between Output and Satisfied Staff.

SNOOPERvisor

Is All for Production and Hopes Staff Can Adjust to Work Environment.

Production-Oriented

STORE ORGANIZATION
UNIT II

ASSIGNMENT SHEET #1--SOLVE A MANAGEMENT CASE STUDY

NAME ________________________________ SCORE ____________________

Every business day, supervisors and employees are faced with communication and human relations problems. Many of these problems result from a lack of understanding or basic knowledge of the firm's organizational structure. After reading this case study you should assume the role of the department manager and go through the steps of the decision-making process to determine the best solution to the problem.

PART I--Case study

Doug Redeagle has been working part-time in a large department store for three months. His job description includes selling merchandise, stockkeeping, housekeeping, and maintaining inventory control within the camera department. Susan Davidson is the buyer and supervisor over the camera department. Ms. Davidson keeps Doug busy during his hours on the job; but with Christmas nearing, it seems that everyone else finds things for him to do, too.

While making a run to the stockroom earlier this week, Doug was stopped by the stockroom manager who kept him there for almost an hour. Doug did not mind unpacking merchandise for the stockroom, but he had not finished his job on the floor yet. If the stockroom incident was not enough, the jewelry department manager "asked" Doug to price several items of merchandise. He spent over an hour working on the jewelry assignment . . . and still had not finished the tasks Ms. Davidson had assigned.

Doug is a good worker. He knows that his primary responsibility is to his department and Ms. Davidson; yet, he is not getting all of his assigned work done.

PART II--Solve this management case study

A. Identify the real problem.

____

____

____

____

B. Gather information.

____

____

____

____

ASSIGNMENT SHEET #1

C. List possible solutions.

D. Evaluate probable results of each solution.

E. Decide on the best solution.

STORE ORGANIZATION
UNIT II

ASSIGNMENT SHEET #2--INTERVIEW YOUR TRAINING SPONSOR FOR BASIC INFORMATION ABOUT YOUR COMPANY AND JOB

NAME ______________________________ SCORE ____________________

In order for employees to function well on the job, it is necessary that they understand their positions within the company. They should have a better understanding of how and why decisions are made if they know the basic organizational structure of the firm. In addition, each employee should know his or her job title and job description so that he or she may understand where the job lies within the chain of command. It is the responsibility of all managers, especially supervisory managers, to see that all employees understand their job assignments and that those assignments are carried out to completion.

In this assignment sheet, you will be required to interview your training station sponsor for basic information about your company and your job. Write your answers on the lines provided.

(NOTE: It may be necessary for you to speak with another management person within your company in order to answer all questions. Approach your training sponsor *first*; then go to personnel, or elsewhere, as directed.)

PART I--Company overview

A. What is the full/legal name of your training station?

____

____

B. Under which form of business ownership does your training station operate?

____

C. Is it a franchise? ____

D. Does your company have staff-function personnel? ____________________

(List their job titles.) ____

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ASSIGNMENT SHEET #2

PART II--Your job

A. Ask for a copy of your job description. Write your job description on the lines provided below.

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B. Ask for your job specifications. Write them on the lines provided below.

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STORE ORGANIZATION
UNIT II

ASSIGNMENT SHEET #3--DISTINGUISH BETWEEN OCCUPATIONS INVOLVING LINE AND STAFF PERSONNEL FUNCTIONS

NAME ________________________________ SCORE ____________________

The most common form of business organization in large businesses is the line and staff organization. In those companies, line personnel make decisions and have authority over subordinates. Those within the line structure are responsible for seeing that the goals of the firm are achieved. Staff personnel, on the other hand, assist line managers in making decisions by providing advice, investigating problems, and conducting research. Staff personnel do not have authority over managers; they simply provide advice so that others can make better operational decisions.

In this assignment, you are given several job titles. Read each job title and decide whether the position is primarily a line function or a staff function. Write an "L" for line position and an "S" for staff position to indicate your response to each.

______A. Division manager

______B. Buyer

______C. Controller

______D. Sales clerk

______E. Sales promotion manager

______F. Store manager

______G. Merchandise manager

______H. Corporate attorney

______I. Market research specialist

______J. Board of directors

______K. Head bookkeeper

______L. Personnel manager

______M. Assistant store manager

______N. Maintenance supervisor

______O. Department manager

STORE ORGANIZATION
UNIT II

ASSIGNMENT SHEET #4--CONSTRUCT AN ORGANIZATIONAL CHART FOR YOUR TRAINING STATION

NAME ______________________________ SCORE ____________________

It is necessary for each employee to use the chain of command in order to solve daily problems within any company. "Jumping links" within the chain may lead to trouble for everyone involved. Organizational charts are used so that all employees know where they stand within the chain of command and where they should go for assistance.

In this assignment you will construct an organizational chart for your training station. Follow the steps listed below in order to complete this assignment.

(NOTE: You may have to ask your training station sponsor for assistance.)

A. List all tasks that are performed at the firm

B. Group tasks into major areas

EXAMPLES: Record keeping, sales, purchasing, maintenance

C. Give job titles for each grouping

EXAMPLES: Department manager, sales clerk, bookkeeper, buyer, store manager, cashier

D. Draw boxes large enough to show job titles and task listings for each major area

(NOTE: Names of employees are not entered into the boxes because as soon as there is a personnel change anyplace within the company, the organizational chart is outdated.)

EXAMPLE:

Salesperson

1. Assist customers
2. Operate cash register
3. Stock shelves
4. Perform housekeeping

E. Cut out each box

F. Arrange the boxes and draw lines to shown lines of communication, authority, and responsibility

(NOTE: Use the transparency masters for reference.)

G. Attach your training station organization chart to this assignment sheet and submit it to your instructor

STORE ORGANIZATION
UNIT II

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3

A. L
B. L
C. S
D. L
E. S
F. L
G. L
H. S
I. S
J. L
K. S
L. S
M. L
N. S
O. L

Assignment Sheet #4--Evaluated to the satisfaction of the instructor

STORE ORGANIZATION
UNIT II

TEST

NAME ________________________________ SCORE ____________________

1. Match terms associated with store organization to their correct definitions. Write the correct numbers in the blanks. Terms and definitions are continued on the next page.

______a. Contact person between two or more groups of people

______b. Individual or corporation capable of being sued and/or filing suit in a court of law

______c. Examination of facts concerning content, responsibility, and processes in each job within a company, and the types of workers and personal abilities required to do the job

______d. Direct channel of authority, responsibility, and communication used by an organization

______e. Summary of personal requirements necessary to be successful in a specific job

______f. Outlines the powers and privileges granted to a corporation by a state

______g. Position held by an individual who controls and directs business operations in such a manner that goals of the company are achieved

______h. Summary of important facts about a job, including specific job tasks to be performed

______i. Contract between a base company and a distributor to sell products and/or services under specific conditions

______j. Company which is granted the right to market another company's goods or services in a specified territory as outlined in a franchise agreement

______k. Company which grants another firm the right to market their goods or services in a specified territory as outlined in a franchise agreement

1. Chain of command
2. Charter
3. Entity
4. Franchise
5. Franchisee
6. Franchisor
7. Job analysis
8. Job description
9. Job specification
10. Liaison
11. Line position

TEST

______l. Position held by an individual who provides advice to others, has no authority over other parts of the organization

______m. Responsibility for all debts incurred by a business

______n. Corporate profits distributed according to the number of shares of stock held by an individual

______o. Manner in which a company separates work responsibilities

______p. Number of subordinates that a manager supervises

______q. Responsibility for debts only to the amount of investment

12. Staff position
13. Unlimited liability
14. Dividends
15. Division of work
16. Limited liability
17. Span of control

2. Select from the following list management principles relating to business organization. Write an "X" in the blank before each correct answer.

______a. Individual differences should be eliminated

______b. Generalization is more desirable than specialization

______c. Flexibility must be provided

______d. Whims of management control activities

______e. Lines of control must be defined

3. Discuss reasons organization is necessary.

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TEST

4. Distinguish among the forms of business ownership. Write an "S" in the blanks before sole proprietorship, a "C" before corporation, a "P" before partnership, and an "F" in in the blanks before franchise. Use all letters that apply to each.

_____a. Owner(s) is entitled to all profits

_____b. One person is responsible for operation of the business

_____c. Independently owned from franchisor

_____d. Owners share profits on an equal basis, or otherwise as agreed

_____e. Owned and managed by one person

_____f. Powers and authority are granted by a corporate charter

_____g. Business is considered a legal entity

_____h. May be a sole proprietorship, partnership, or corporation

_____i. Owned by stockholders

_____j. Owner(s) has unlimited liability

_____k. Owners have limited liability

_____l. Franchisee is responsible for operation of the business, subject to the agreement contract

_____m. Stockholders receive share of profits through dividends

_____n. Owned by two or more people

_____o. Owners share responsibility for operation of business, as agreed

_____p. Board of directors makes general policy decisions and oversees operations

_____q. Managers make day-to-day decisions

5. Describe characteristics of businesses operating under different forms of business ownership.

a. Sole proprietorship--____

____

____

____

TEST

b. Partnership-- ______________________________

____

____

____

c. Corporation-- ______________________________

____

____

____

d. Franchise-- ______________________________

____

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____

6. List basic retailing activities for which organization is usually provided.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

7. Distinguish among characteristics of each step used to determine job responsibility and qualifications. Write an "A" in the blanks before job analysis, a "D" before job description, and an "S" in the blanks before job specification.

_____a. Task-oriented information taken from job analysis

_____b. Method for obtaining important information about a job

_____c. Lists knowledge and skills required in the job

_____d. Provides a brief explanation of the purpose and responsibilities involved in performing the task

_____e. Employee-oriented information taken from job analysis

_____f. Tells whom the employee supervises and to whom she or he reports

_____g. Details special physical and/or mental abilities required for the job

_____h. Explores the methods used and equipment necessary to complete the task

TEST

______i. Identifies which physical and mental tasks are to be performed

______j. Lists minor job duties or duties performed only occasionally

______k. Summary of important facts about a job

______l. Shows relationships of task to other jobs

______m. States general nature of work performed

______n. Describes education necessary for job

______o. Provides a descriptive job title

______p. Lists major duties

______q. Used to write job description and specification

______r. Identifies the relationship of the job to other jobs

______s. Indicates previous or related work experience that a new employee should have

______t. Summary of personal requirements necessary for job

8. Activities performed by various managers are listed below. Name the job titles for each position according to the activities performed by each. Write your answer in the blanks provided.

   a. *Activities:* Supervises and coordinates activities of workers in department; assigns duties and coordinates work schedules; handles customer complaints; approves checks and issues refunds

   Job title: ________________________________

   b. *Activities:* Evaluates staff artists' and copywriters' proposed ads for various media; approves displays and controls their implementation

   Job title: ________________________________

   c. *Activities:* Selects and orders merchandise; trains employees in department; prices items for sale; authorizes payment of invoices or return of merchandise

   Job title: ________________________________

   d. *Activities:* Supervises all merchandising activities; formulates policies; determines markup percentages needed for profit; determines quantity of merchandise to be stocked

   Job title: ________________________________

TEST

e. *Activities:* Directs building maintenance and warehousing; arranges for storage of merchandise; acts as liaison between firm and transportation companies that deliver merchandise

Job title: ______________________________

9. Select from the following list characteristics of the types of division of work presented on an organizational chart. Write an "X" in the blank before each correct answer.

_____a. Vertical division of work shows the division of work according to work performed

_____b. Horizontal division of work shows the chain of authority and responsibility from top manager to lowest-ranking employee

_____c. Horizontal division of work indicates a lateral channel of communication: same level of authority for each job within the level

_____d. Vertical division of work indicates direct channel of communication from top to bottom or bottom to top

10. Distinguish among characteristics of the various types of business organization. Write the number before each characteristic listed below under the appropriate type of business organization.

a. Characteristics

1) Practices maximum use of company's specialists

2) Clearly defines lines of supervision, promotion, and communication

3) Makes little use of specialized skills

4) Combines features of both the other two types of business organization

5) Confusion in responsibilities may result from too many bosses

6) Easy to understand the chain of command

7) Requires many supervisors

8) Each function of the business has a specialist who supervises all personnel working within the area of specialty

9) Identifies a *direct* line of authority

10) Too simple for a complex organization

11) Sometimes dual lines of authority develop

12) Same advantages as both of the other types of business organization

13) Functions smoothly and quickly

TEST

b.

1) **Line**	2) **Functional or staff**	3) **Line and staff**
a) _____	a) _____	a) _____
b) _____	b) _____	b) _____
c) _____	c) _____	c) _____
d) _____		d) _____
e) _____		
f) _____		

11. Distinguish among ways formal and informal organizations affect productivity. Write an "F" for formal organization and an "I" for informal organization in the blanks.

_____a. Output channels are identified to prevent duplication

_____b. Employees see others in relation to how they view themselves

_____c. Lines of authority and responsibility are established

_____d. Grapevine and natural groupings carry information and affect operations to greater degree than official channels or work units

_____e. Various tasks are assigned and coordinated to prevent neglect, mistakes, and conflicts

_____f. Advancement steps are identified

_____g. Every employee acts as a vehicle for communication, recognition, and appreciation

_____h. Communication procedures are set

_____i. Final decision-makers are identified for each function and task

_____j. Employees are emotional beings who assume roles as parent, adult, and child

(NOTE: Test questions 12-15 list the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

12. Solve a management case study.

13. Interview your training sponsor for basic information about your company and job.

14. Distinguish between occupations involving line and staff personnel functions.

15. Construct an organizational chart for your training station.

STORE ORGANIZATION
UNIT II

ANSWERS TO TEST

1. a. 10
   b. 3
   c. 7
   d. 1
   e. 9
   f. 2
   g. 11
   h. 8
   i. 4
   j. 5
   k. 6
   l. 12
   m. 13
   n. 14
   o. 15
   p. 17
   q. 16

2. c, e

3. Discussion should include
   a. Identifies types of work to be done
   b. Indicates who is responsible for various tasks
   c. Indicates how different types of work are coordinated
   d. Indicates appropriate lines of internal communications
   e. Helps eliminate duplication of work
   f. Helps identify neglected functions
   g. Makes it possible for people to work together more effectively
   h. Identifies the span of control for each position

4. a. F, S, P
   b. S
   c. F
   d. P
   e. S
   f. C
   g. C
   h. F
   i. C
   j. S, P
   k. C
   l. F
   m. C
   n. P
   o. P
   p. C
   q. C

5. Description should include
   a. Sole proprietorship
      1) Businesses that sell merchandise or a service on a small scale
      2) Businesses that deliver a personal service

ANSWERS TO TEST

b. Partnership

  1) Businesses that provide more than one good or service

  2) Usually found in the same types of businesses as sole proprietorship

c. Corporation

  1) Businesses that need large amounts of capital

  2) Businesses that may have an uncertain future and the owners do not wish to assume unlimited liability

d. Franchise--Businesses that conform to standardization

6. a. Buying activities

   b. Selling activities

   c. Operating activities

   d. Controlling activities

7. a. D

   b. A

   c. S

   d. A

   e. S

   f. D

   g. S

   h. A

   i. A

   j. D

   k. D

   l. A

   m. D

   n. S

   o. D

   p. D

   q. A

   r. D

   s. S

   t. S

8. a. Department manager

   b. Advertising and display manager

   c. Buyer

   d. Merchandise manager

   e. Director of services

9. c, d

ANSWERS TO TEST

10. (NOTE: Numbers do not have to be in a certain order.)

Line organization	**Functional or staff**	**Line and staff**
a) 2	a) 1	a) 4
b) 3	b) 5	b) 7
c) 6	c) 8	c) 11
d) 9		d) 12
e) 10		
f) 13		

11. a. F
b. I
c. F
d. I
e. F
f. F
g. I
h. F
i. F
j. I

12. Evaluated to the satisfaction of the instructor

13. Evaluated to the satisfaction of the instructor

14. Evaluated to the satisfaction of the instructor

15. Evaluated to the satisfaction of the instructor

(NOTE: Suggestions for the answers to question 14 appear in the Answers to Assignment Sheets.)

PERSONNEL SELECTION
UNIT III

UNIT OBJECTIVE

After completing this unit, the student should be able to effectively select individuals to fill job vacancies. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with personnel selection to their correct definitions.
2. Discuss the procedure for selecting store personnel.
3. State common methods of recruiting applicants for job openings.
4. Select from a list considerations for planning an interview.
5. Match titles of equal employment opportunity laws to their correct descriptions.
6. Arrange in order steps in conducting an interview.
7. Select from a list procedures for effectively following up an interview.
8. State ways to reduce labor turnover.
9. Prepare a classified advertisement.
10. Select individuals to fill job vacancies.
11. Calculate labor turnover rate.

PERSONNEL SELECTION
UNIT III

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order films, games, and other materials to supplement unit.

1. *Bias: A Four Letter Word.* Color, 22 minutes, Malibu Corporation, 1977. Available from Malibu Corporation, Box 428, Malibu, California 90265.

   (NOTE: This film shows how our society not only accepts but encourages conditions that nourish self-prejudice, snap judgments of people, tendencies to stereotype on basis of appearance and occupation, as well as conflicts involving sex, age, and physical appearance discrimination. This film is available on a free-loan basis to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order from the address listed.)

2. *Critical Steps in Job Interviewing.* Four-hours programmed reading exercises, listen-response exercises, and structured role play in 16mm film and six cassettes; instructor's manual included. Available from Oklahoma State Department of Vocational and Technical Education/ Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074.

3. *Select the Best.* Twenty-hour program using audio-visual tapes, worksheets, and role plays. Available from Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074.

   (NOTE: This set of programmed instruction is designed for supervisory or managerial personnel who need to develop effective hiring techniques based on specific job criteria. This set is available *only* to Oklahoma teachers.)

B. Make transparency.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

G. Invite a personnel director to speak with students about problems in selecting personnel and about the job of a personnel director.

SUGGESTED ACTIVITIES

H. Have students discuss the problem of labor turnover with their training sponsor/manager.

(NOTE: Students may ask questions such as, "What is the labor turnover rate for employees in this store?" . . . or . . . "Why do you think we have a turnover problem among employees?", or they may present their views on turnover within their store.)

I. Give test.

J. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency master: TM #1--Recruiting Applicants

E. Assignment sheets

1. Assignment Sheet #1--Prepare a Classified Advertisement

2. Assignment Sheet #2--Select Individuals to Fill Job Vacancies

3. Assignment Sheet #3--Calculate Labor Turnover Rate

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Hailes, William D. Jr., and Raymond T. Hubbard. *Small Business Management.* Albany, New York: Delmar Publishers, 1977.

C. U.S. Small Business Administration. *Business Basics: Recruiting and Selecting Employees.* Washington, D.C.: U.S. Government Printing Office, 1980.

PERSONNEL SELECTION
UNIT III

INFORMATION SHEET

I. Terms and definitions

   A. Accession--Any employee added to a company's payroll during a given period of time

      EXAMPLES: Newly hired employees; those returning following layoff

   B. Benefit--Supplemental payment or service provided by employers that involves monetary cost without affecting employees' basic salary

   C. Grievance--Complaint filed by an employee which is directed at some aspect of the work assigned by management

   D. Interview--Formal meeting between two or more people for the purpose of gaining information

   E. Job analysis--Examination of the facts concerning content, responsibility, and processes in each job within a company, and the types of workers and personal abilities required to do the job

   F. Job description--Summary of important facts about a job, including specific tasks to be performed

   G. Labor turnover--Scope of employee movement in and out of a business over a given period of time

      Formula: $\text{Labor turnover} = \dfrac{\text{Accessions + separations}}{\text{Total number on payroll}}$

   H. Open-ended question--One which encourages a spontaneous, unguided response

   I. Separation--Any employee who leaves a company during a given period

      EXAMPLES: Employees who are discharged, quit, retire, and/or are temporarily laid off

II. Procedure for selecting store personnel

   A. Recruit applicants for job openings

   B. Plan interview sessions

   C. Conduct interviews

   D. Conduct interview follow-up

   E. Plan and conduct second interview(s), as necessary

   F. Select the best applicant for each job

INFORMATION SHEET

III. Common methods of recruiting applicants for job openings (Transparency #1; Assignment Sheet #1)

(NOTE: Managers should have a good idea of the nature of the job before they begin to look for new employees. It is recommended that a job analysis be conducted before advertising any job opening.)

A. Advertise in local newspaper classified section

B. Post opening notices in the employee lounge

C. Place signs in the store window(s)

D. Recruit through independent employment agencies

(NOTE: Individuals who locate applicants for agencies are called "personnel recruiters.")

E. Recruit through state employment service

F. Place notices in schools

EXAMPLES: High school counselor's office; college placement office; DE/Marketing classroom

G. Recruit through word-of-mouth

EXAMPLES: Ask employees for help in recruiting applicants; ask personal contacts for suggestions

IV. Considerations for planning an interview

A. Read applications and resumés submitted by applicants

B. Plan questions which have bearing on the job

(NOTE: Questions about the applicant which have little or no bearing on the job may be considered discriminatory.)

C. Arrange for an appropriate facility

EXAMPLES: Clean area, chairs available for interviewer and applicant, area free from interruptions

D. Arrange for a time acceptable to both the interviewer and the applicant

E. Be prepared to answer questions posed by the applicant

EXAMPLES: Salary range, special benefits, work hours, overtime hours expected

INFORMATION SHEET

V. Equal employment opportunity laws

  A. Equal Pay Act of 1963--Prohibits employers from paying lower wages to an employee because of sex discrimination

  B. Civil Rights Act of 1964/Title VII--Prohibits employers from discriminating against any employee based on an individual's race, color, religion, sex, or national origin

  C. Amended Military Selected Service Act of 1967--Requires businesses to rehire employees who quit their jobs to join the military service so long as they inform the company within 90 days of their military discharge

  D. Equal Employment Opportunity Act of 1972--Gives the Equal Employment Opportunity Commission the authority to file suits in federal courts against businesses which violate the Civil Rights Act of 1964

  E. Age Discrimination in Employment Act of 1977--Prohibits discrimination on the basis of age against individuals who are between the ages of 40 and 70 years

VI. Steps in conducting an interview (Assignment Sheet #2)

  A. Make the applicant feel comfortable

  EXAMPLES: Introduce one another; offer a handshake; offer refreshments; tell the applicant it is all right to smoke

  B. Provide a description of the position for which the applicant is applying

  (NOTE: Describe both the benefits and opportunities of the job, as well as the drawbacks and problems associated with the position.)

  C. Begin by asking very general and open questions

  EXAMPLES: "Why did you decide to apply for this job?"; "Tell me about your previous work experience."

  D. Note those things about the applicant which require additional information through later questions

  (NOTE: Do not write on the application form. Use a separate sheet of paper.)

  E. Ask more specific and detailed questions as the interview progresses

  (NOTE: Ask open-ended questions instead of simple yes or no questions. This will encourage the applicant to speak and will allow the interviewer to make better hiring decisions.)

INFORMATION SHEET

- F. Let the applicant do most of the talking
- G. Encourage the applicant to ask questions
- H. Determine whether the applicant has the personal characteristics required for the job

VII. Procedures for effectively following up an interview (Assignment Sheet #2)

- A. Check references of the best applicant(s)
- B. Arrange a second interview with the best qualified applicant(s)

  (NOTE: The second interview is particularly important when filling key positions within the company. It may not be necessary for entry-level positions.)

- C. Make selection decision as soon as possible
- D. Contact those applicants who were not hired

  (NOTE: This promotes goodwill and encourages applicants to consider your business again in the future.)

VIII. Ways to reduce labor turnover (Assignment Sheet #3)

- A. Follow careful selection procedures to insure that employees are qualified and have the personality to do the job
- B. Conduct an orientation session with all new employees as soon as possible after beginning work
- C. Follow a training schedule for all employees

  (NOTE: Consider their abilities and experience as well as their desires for advancement.)

- D. Listen to employees' concerns and grievances; address them promptly
- E. Determine the reasons for employees leaving

  (NOTE: This will give indications for improving work relations and will help management correct the causes of labor turnover.)

Recruiting Applicants

METHOD OF RECRUITING	ADVANTAGES	DISADVANTAGES
Advertisements in newspaper	Wide circulation Relatively inexpensive	Costs money, but less expensive than referral services No method of screening applicants
Notices in employee lounge (Ask employees to refer individuals)	Free	May feel obligated to interview an individual for sake of friendship Haphazard selection may occur
Signs in store windows	No charge Applicant familiar with products	Unsystematic No methods for screening applicants
Private employment agencies	Screening of applicants Best used for more important positions	May be charged a fee Limited number of applicants
State employment service	Free Some screening of applicants; good for entry level positions	Many applicants may not be suited for the job
Notices in schools	Free Some screening of applicants may take place	Many applicants may not be suited for the job

TM #1

BMO - 127-C

PERSONNEL SELECTION
UNIT III

ASSIGNMENT SHEET #1--PREPARE A CLASSIFIED ADVERTISEMENT

NAME ______________________________ SCORE ______________

Recruiting qualified applicants for any job opening is a major responsibility of a personnel manager. There are several ways of recruiting applicants; however, the most common way is to run advertisements in the classified ad section of a local newspaper. Newspaper want ads have a wide circulation and are less expensive to run than contracting with employment agencies for applicants. Since newspaper companies charge by the word or line, brevity is very important when preparing classified ads.

In this assignment, you are given a case study which requires that a help wanted advertisement be written. Read the case study and prepare an advertisement which could be run in the classified ad section of a local newspaper.

PART I--Read the case study.

The Maxwell Supermarket has an opening for a stock clerks. Starting pay is $3.75 an hour. The stock clerk will be responsible for the following tasks on a daily basis: helping to unload trucks, stocking shelves, marking prices on products, and maintaining a safe, clean work area. The job requires lifting heavy boxes and overtime is frequently required. Maxwell Supermarket offers a basic benefit package of group health insurance and two weeks vacation time for new employees. Mike, the stock supervisor, is anxious for the new stock clerk to begin working as soon as possible.

PART II--Prepare a classified advertisement. Write your ad on the lines provided.

____

____

____

____

____

PERSONNEL SELECTION
UNIT III

ASSIGNMENT SHEET #2--SELECT INDIVIDUALS TO FILL JOB VACANCIES

NAME ______________________________ SCORE ______________

If you have never spent much time looking through the help wanted section of your local newspaper, take time to do so soon. What types of positions are available? Which companies are recruiting new employees? How often does any one company run ads in the newspaper? Studying this type of information may give some indication of the labor turnover within those companies, as well as provide important clues on how local businesses recruit job applicants.

Recruiting is only the first step, however. Every day, managers must make decisions to hire new employees. Selecting employees is not an easy task for most managers, but it is one which must be done with a great deal of thought and consideration.

In this assignment, you are given two types of businesses and three applicants. Decide which individual you would hire for the two positions described. Write your answers on the lines provided.

PART I

Hershall's General Store is a small, family owned business with a vacancy for a salesperson. The position requires selling, stocking merchandise, and maintaining a clean work area in the following departments: camera and jewelry, cosmetics, and toys. There is definite potential for the person hired to move up into an assistant manager position within one year. Mrs. Hershall, the store's owner, has interviewed the following applicants:

A. Ina Baker is 18 years old and graduated from high school three weeks ago. While attending school, Ina worked part-time as a salesclerk in a drugstore. Her grades in school were, for the most part, A's and B's. Ina thinks that she would like to go to college in marketing, but needs to work full-time for one year to save enough money for college. Ina is about 5'6" tall, weighs about 125 pounds and has a quiet, pleasant manner. She arrived 10 minutes early for the interview, wearing a conservative dress. During the interview, Ina presented herself very well.

B. Lee Krason is 18. He dropped out of high school when he was 16 years old. Lee has worked on several jobs over the past two years as a grocery store clerk, cashier, service station attendant, hardware salesman, and furniture salesman. Lee stands six feet tall and weighs approximately 185 pounds. He has a dynamic, outgoing personality. Lee arrived for the interview about five minutes early, wearing a neatly pressed shirt, tie, slacks, and a sport coat.

C. Ronald Charbosky is 19 years old and graduated from high school three weeks ago. He is currently employed as a part-time cashier in a grocery store. Ronald has held his current position for the past two years. He was an average student in school and is not interested in attending college on a full-time basis. He is willing to work and has an outgoing personality. Ronald arrived for the interview on time, wearing blue jeans, pullover sport shirt, and tennis shoes. He stands just over six feet tall and weighs approximately 220 pounds.

ASSIGNMENT SHEET #2

Which applicant should Mrs. Hershall hire? Explain your answer.

PART II

Assume that the same three applicants apply for the following position:

Full-time clerk in the housewares department of a large, self-service department store. The position requires pricing and stocking small electrical appliances and miscellaneous household items, as well as maintaining appropriate inventory control records.

Which applicant would you hire for this position? Explain your selection.

PERSONNEL SELECTION
UNIT III

ASSIGNMENT SHEET #3--CALCULATE LABOR TURNOVER RATE

NAME ______________________________ SCORE ______________

Labor turnover is the extent to which employees come to work for a company or leave the company for one reason or another. Turnover includes accessions--new employees and those put back to work following temporary layoffs and separations--employees who are discharged, quit, retire, and/or are temporarily laid off. The formula for calculating labor turnover is:

$$\frac{\text{Accessions + separations}}{\text{Total number on payroll}} = \text{Labor turnover rate (express as a percent)}$$

The national labor turnover rate is about 85 percent per year, or just over seven percent per month. Some businesses experience turnover as high as 100 percent annually. High labor turnover is almost always associated with poor employee morale. It is therefore important that management keep a watchful eye on turnover figures as an indicator of problem areas with the business.

(NOTE: The Bureau of Labor Statistics publishes data that may be used by businesses to determine the comparative extent of their labor turnover problems to other companies in the industry.)

In this assignment, you are given several problems associated with labor turnover. Use the formula given above to calculate the turnover rate in each of the problems.

A. Coleman, Inc. employs 100 workers. During the past month, they have hired 5 new workers, discharged two for cause, and three have retired. What was the turnover rate last month?

Turnover = ______________

ASSIGNMENT SHEET #3

B. The Quick-Key Company employs 6 workers. Last year, management discharged one for cause, and 2 quit work. Two new employees were hired during the year. What was the turnover rate for the year?

Turnover = ____________________

C. Heidersnoff Department Store employs 2,350 employees. During the year, 16 employees retired; 5 were discharged for cause; 30 were temporarily laid off; 22 quit for various reasons; and 14 workers were called back after lay-offs. Twenty-six new employees were hired. What was their turnover rate during the period?

Turnover = ____________________

D. Chase, Incorporated has 6,500 employees. During the past year, 2,268 accessions took place and 2,197 separations occurred. What was Chase's turnover rate last year?

Turnover = ____________________

PERSONNEL SELECTION
UNIT III

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3

A. $\frac{10}{100} = 0.10 = 10\%$ (labor turnover rate)

B. $\frac{5}{6} = 0.83 = 83\%$ (labor turnover rate)

C. $\frac{113}{2,350} = 0.048 = 4.8\%$ (labor turnover rate)

D. $\frac{4,455}{6,500} = 0.685 = 68.5\%$ (labor turnover rate)

PERSONNEL SELECTION
UNIT III

TEST

NAME ______________________________ SCORE ________________

1. Match terms associated with personnel selection to their correct definitions. Write the correct numbers in the blanks.

______a. Scope of employee movement in and out of a business over a given period of time

______b. Any employee added to a company's payroll during a given period of time

______c. One which encourages a spontaneous, unguided response

______d. Examination of the facts concerning content, responsibility, and processes in each job within a company, and the types of workers and personal abilities required to do the job

______e. Any employee who leaves a company during a given period

______f. Supplemental payment or service provided by employers that involves monetary cost without affecting employees' basic salary

______g. Complaint filed by an employee which is directed at some aspect of the work assigned by management

______h. Formal meeting between two or more people for the purpose of gaining information

______i. Summary of important facts about a job, including specific tasks to be performed

1. Accession
2. Benefit
3. Grievance
4. Interview
5. Job analysis
6. Job description
7. Labor turnover
8. Open-ended question
9. Separation

2. Discuss the procedure for selecting store personnel.

____

____

____

____

____

____

____

TEST

3. State six methods through which businesses recruit applicants for job openings.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

f. ______________________________

4. Select from the following list considerations for planning an interview. Write an "X" in the blank before each correct answer.

______a. Try to anticipate everything that can possibly happen and decide how to react before the interview

______b. Do not anticipate questions by the applicant; few if any questions will be asked

______c. Decide on the best time for the interview; do not be concerned with the applicant's schedule

______d. Arrange for an appropriate facility

______e. Plan personal questions about the applicant; they are more effective in evaluating the applicant than are questions with bearing on the job

______f. Read applications and resumés submitted by applicants

5. Match titles of equal employment opportunity laws to their correct descriptions. Write the correct numbers in the blanks.

______a. Prohibits employers from discriminating against any employee based on an individual's race, color, religion, sex, or national origin

______b. Prohibits employers from paying lower wages to an employee because of sex discrimination

______c. Gives the Equal Employment Opportunity Commission the authority to file suits in federal courts against businesses which violate the Civil Rights Act of 1964

1. Equal Employment Opportunity Act of 1972
2. Equal Pay Act of 1963
3. Civil Rights Act of 1964/Title VII
4. Age Discrimination in Employment Act of 1977
5. Amended Military Selected Service Act of 1967

TEST

_____d. Requires businesses to rehire employees who quit their jobs to join the military service so long as they inform the company within 90 days of their military discharge

_____e. Prohibits discrimination on the basis of age against individuals who are between the ages of 40 and 70 years

6. Arrange in order steps in conducting an interview. Write a "1" in the blank before the first step, a "2" before the second step, and so on.

_____a. Let the applicant do most of the talking

_____b. Ask more specific and detailed questions as the interview progresses

_____c. Note those things about the applicant which require additional information through later questions

_____d. Make the applicant feel comfortable

_____e. Provide a description of the position for which the applicant is applying

_____f. Begin by asking very general and open questions

_____g. Encourage the applicant to ask questions

_____h. Determine whether the applicant has the personal characteristics required for the job

7. Select from the following list procedures for effectively following up an interview. Write an "X" in the blank before each correct answer.

_____a. Wait several days before making a final decision; this will provide time to re-examine each application

_____b. Check references with all applications to be sure applicants interviewed deserve the job

_____c. Arrange a second interview with the best qualified applicant(s)

_____d. Hire the best applicant; do not contact other applicants until they call to find out if the position has been filled

8. State ways to reduce labor turnover.

a. ______________________________

b. ______________________________

TEST

c. ____________________

d. ____________________

e. ____________________

(NOTE: Test questions 9-11 are assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

9. Prepare a classified advertisement.

10. Select individuals to fill job vacancies.

11. Calculate labor turnover rate.

PERSONNEL SELECTION
UNIT III

ANSWERS TO TEST

1. a. 7
   b. 1
   c. 8
   d. 5
   e. 9
   f. 2
   g. 3
   h. 4
   i. 6

2. Discussion should include
   a. Recruit applicants for job openings
   b. Plan interview sessions
   c. Conduct interviews
   d. Conduct interview follow-up
   e. Plan and conduct second interview(s), as necessary
   f. Select the best applicant for each job

3. Any six of the following
   a. Advertise in local newspaper classified section
   b. Post opening notices in the employee lounge
   c. Place signs in the store window(s)
   d. Recruit through independent employment agencies
   e. Recruit through state employment service
   f. Place notices in schools
   g. Recruit through word-of-mouth

4. d, f

5. a. 3
   b. 2
   c. 1
   d. 5
   e. 4

ANSWERS TO TEST

6. a. 6 e. 2
   b. 5 f. 3
   c. 4 g. 7
   d. 1 h. 8

7. c

8. a. Follow careful selection procedures to insure that employees are qualified and have the personality to do the job
   b. Conduct an orientation session with all new employees as soon as possible after beginning work
   c. Follow a training schedule for all employees
   d. Listen to employees' concerns and grievances; address them promptly
   e. Determine the reasons for employees leaving

9. Evaluated to the satisfaction of the instructor

10. Evaluated to the satisfaction of the instructor

11. Evaluated to the satisfaction of the instructor

EMPLOYEE DEVELOPMENT
UNIT IV

UNIT OBJECTIVE

After completing this unit, the student should be able to direct company personnel in such a manner that employee expectations are satisfied and company goals are achieved. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with employee development to their correct definitions.
2. State major aspects of employee development.
3. Discuss considerations for establishing and exercising administrative personnel procedures.
4. Select from a list reasons for training employees.
5. Match common methods of training used on the job to their correct descriptions.
6. Arrange in order steps used to effectively train employees.
7. State reasons for delegating work.
8. Select from a list principles of work delegation.
9. Select from a list guidelines for conducting a directive interview.
10. Discuss ways to insure a sound grievance procedure.
11. Select from a list guidelines for establishing a climate of positive discipline.
12. Arrange in order steps to follow when taking corrective disciplinary action.
13. Select from a list guidelines for evaluating employee performance.
14. Arrange in order steps for conducting performance appraisal interviews.
15. State management decisions based on employee evaluations.
16. Evaluate an open-door policy.
17. Conduct a group session on human relations.
18. Evaluate a directive situation.
19. Analyze a consultative interview.
20. Analyze a case study on employee development.

EMPLOYEE DEVELOPMENT
UNIT IV

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order films, games, and other materials to supplement unit.

1. Films

(NOTE: The following films are available to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order from the addresses listed below.)

a. *Eye of the Supervisor.* Color, eight min., National Educational Media, 1972. Available from National Educational Media, 21601 Devonshire Street, Chatsworth, California 91311.

b. *There's Genius in the Average Man.* Color, 14 1/2 min., Counselor Films, Incorporated, 1971. Available from Counselor Films, Incorporated, 1728 Cherry Street, Philadelphia, Pennsylvania 19103.

(NOTE: This film shows how to produce above average capabilities and how to use 95 percent of the capabilities that are never touched in the average person.)

2. *Effective Manager.* Available from Warren, Gorham and Lamont, Inc., 210 South Street, Boston, Massachusetts 02111. Annual subscription for monthly issues. Periodical gives helpful suggestions for working with employees and time management ideas.

3. Subscribe to: *Be a Better Trainer.* Monthly service to retail supervisors. Available from Merchandiser Film Productions, Post Office Drawer J, Huntington, New York 11743.

(NOTE: Various training materials are continually being produced and updated. Topics of audio-visual materials include: *Interviewing and Hiring Store Personnel, TEAMWORK: Key to Sales and Success, Problem Employees--Cause and Cure,* and *Serving and Selling the Problem Customer.* These materials are designed for use in industry but are appropriate for classroom use.)

SUGGESTED ACTIVITIES

B. Provide students with objective sheet.

C. Provide students with information and assignment sheets.

D. Discuss unit and specific objectives.

E. Discuss information and assignment sheets.

F. Assist students with scheduling human relations group session for Assignment Sheet #2. Perhaps a few students might work as a team to present the session.

G. Invite a panel of guest speakers to deal with questions regarding personnel management. Managers from different types and sizes of businesses should be represented.

(NOTE: Have students prepare questions in advance.)

H. Give test.

I. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Assignment sheets

1. Assignment Sheet #1--Evaluate an Open-Door Policy
2. Assignment Sheet #2--Conduct a Group Session on Human Relations
3. Assignment Sheet #3--Evaluate a Directive Situation
4. Assignment Sheet #4--Analyze a Consultative Interview
5. Assignment Sheet #5--Analyze a Case Study on Employee Development

E. Answers to assignment sheets

F. Test

G. Answers to test

SUGGESTED ACTIVITIES

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Hailes, William D. Jr., and Raymond T. Hubbard. *Small Business Management.* Albany, New York: Delmar Publishers, 1977.

C. Kirkpatrick, Charles A., and Frederick A. Russ. *Business,* 2nd ed. Chicago: Science Research Associates, Inc., 1978.

D. U.S. Small Business Administration. *Business Basics: Employee Relations and Personnel Policies.* Washington, D.C.: U.S. Government Printing Office, n.d.

EMPLOYEE DEVELOPMENT
UNIT IV

INFORMATION SHEET

I. Terms and definitions

   A. Benefit--Indirect payment or service provided by business in addition to employee's regular salary

   B. Consultative interview--Interview between supervisor and subordinate for the purpose of privately discussing minor problems and concerns

      EXAMPLES: Disciplinary interview, performance appraisal

   C. Delegation--Act of granting authority and independence to a subordinate to complete an activity

   D. Directive interview--Interview between supervisor and subordinate where supervisor gives specific directions, orders, and/or definite answers to problems facing the firm

   E. Exit interview--Interview between supervisor and subordinate just prior to employee's termination with the company

   F. Flexible hours--Type of scheduling that allows employees to choose which hours within a given time frame they would like to work

   G. Grievance--Employee's formal complaint about some aspect of the work situation

   H. Interview--Formal meeting between two or more people for the purpose of gaining information

   I. On-the-job training--Process of teaching/learning job skills in actual work situations

   J. Orientation--Initial training session designed to acquaint new employees with company policies and procedures, facilities and equipment, and personnel

   K. Performance appraisal--Evaluation of employee work activities based on responsibilities, goals, and objectives over a given period of time

   L. Positive discipline--Atmosphere of mutual understanding and common purpose between employee and management

   M. Termination--To end employment; stop working for a company

   N. Training--Process by which employees gain necessary knowledge and skills to become proficient workers

INFORMATION SHEET

O. Training aid--Simulation device used for showing how to perform a given task

EXAMPLES: Empty cans, bottles and boxes used to teach grocery sacking techniques; large diagram of a 10-key machine keyboard used in training 10-key touch method

P. Training manual--Book that gives procedures, listed step-by-step, for accomplishing job(s) assigned

(NOTE: This is also called a *policies and procedures manual.*)

II. Major aspects of employee development

A. Follow administrative personnel procedures

B. Base supervisory practices on good human relations and competent delegation

C. Handle all grievances as soon as possible

D. Take positive disciplinary actions

III. Considerations for establishing and exercising administrative personnel procedures (Assignment Sheet #1)

A. Gaining cooperation and building morale

1. Train employees
2. Distribute work properly
3. Recognize abilities and accomplishments
4. Simplify duties when possible
5. Instill a spirit of goodwill
6. Show respect
7. Be sure instructions, procedures, rules, and regulations are understood
8. Provide the best available tools, equipment, and working conditions
9. Set a good example
10. Recognize symptoms of discontent or problems
11. Work on causes of problem and not on effects or symptoms
12. Practice an "open-door" policy (Assignment Sheet #1)

INFORMATION SHEET

B. Work hours

1. Must meet the needs of the business
2. Use flexible hours to make scheduling employees easier
3. Post work schedule chart in an area easily accessible to employees

   (NOTE: Schedule charts are most important in businesses where employees' work hours vary from one scheduling period to the next.)

4. Employ part-time employees to fill peak work loads and/or to extend business hours

C. Work conditions

1. Provide a comfortable work environment

   EXAMPLES: Temperature, lighting, cleanliness

2. Provide an employee break area
3. Provide area for employees' personal items
4. Provide clean restroom facilities
5. Assign equipment fairly

D. Payroll procedures--Pay fairly, promptly, and accurately

E. Benefit procedures

EXAMPLES: Insurance, vacation leave, holiday schedules, sick leave

1. Provide information upon hiring, and update from time to time
2. Assist employees in filling out forms

IV. Reasons for training employees (Assignment Sheet #2)

(NOTE: Training is a primary responsibility of supervisory managers.)

A. Training should be considered an investment in human resources

(NOTE: Although the cost of training a single individual might exceed $1,000, proper training should pay for itself many times over in both time and money.)

B. Training helps eliminate mistakes

C. Trained employees require less supervision

D. Training helps prepare future management candidates

INFORMATION SHEET

E. Training helps build employee morale (Assignment Sheet #2)

(NOTE: Orientation training allows new employees to identify better with the company; technical training helps all employees to gain self-esteem.)

V. Common methods of training used on the job

A. Trial-and-error--Task is assigned with no instruction and the employee must decide how to complete it

B. Study-and-recite--Task is assigned and training manual is made available to employee; however, there is little or no verbal instruction given

C. Dramatization--Supervisor demonstrates task using a step-by-step method; however, it is done very slowly or with training aids instead of actual supplies and equipment

D. Show-and-tell--Supervisor demonstrates task and tells employee, step-by-step, what is being done; however, there is little or no time made available for employee to practice

VI. Steps used to effectively train employees (Assignment Sheet #2)

A. Prepare the employee--Explain the need to know how; show importance of the job; get the "trainee" interested

B. Teach the process--Tell, show, and demonstrate each point; stress key points

C. Have the employee apply the process--Guide the trainee, correct errors immediately; ask trainee to repeat the performance

D. Test the employee--Ask why it is necessary to be able to do assigned activity, and have employee demonstrate ability to perform the task

E. Reteach points that were apparently misunderstood or simply not learned

F. Thank the employee--Compliment trainee on having learned the task and encourage future learning

VII. Reasons for delegating work

A. Increase employee participation in operations, thereby expanding knowledge and commitment to the firm

B. Increase employee productivity

C. Complete daily tasks more efficiently

D. Allow supervisors more time to work on matters which cannot be delegated

E. Increase profits for the business

INFORMATION SHEET

VIII. Principles of work delegation

A. Effective delegation does not mean giving up all authority; manager must retain some right to make final decisions

B. Delegations involve projects which include significant decision making

(NOTE: If the subordinate is not given the responsibility for making decisions, it is not delegation.)

C. Employees should be given the opportunity to participate in delegating additonal-duty work assignments

D. Employees must be ready to take on additional duties

(NOTE: If employees are not ready, the job will not be completed as planned and the task is likely to have a negative effect on employee morale.)

E. Employees must understand what is expected of them

EXAMPLES: What is to be done, when it is to be done, why it is to be done

IX. Guidelines for conducting a directive interview (Assignment Sheet #3)

A. Set a "let's get down to business" atmosphere

EXAMPLES: Begin promptly, identify purpose clearly, use short sentences, speak firmly, look directly at employee, proceed at a deliberate pace

B. Control anxiety or tension level of meeting

EXAMPLES:

1. *Power position*--Supervisor sits behind desk across from employee or stands while employee sits in a lower, smaller chair or position

2. *Partnership position*--Supervisor sits on front corner of desk or in a chair of equal size and height that is placed beside or across the room from employee

C. Emphasize the job-related tasks needing improvement

(NOTE: The idea is to convey the following meaning: "You are okay, but what you are doing can be improved by . . .")

D. Convey support and understanding

(NOTE: Say "we" instead of "I"; act as a "team.")

INFORMATION SHEET

E. Remember that employee growth or development is the major goal

(NOTE: Remember to treat employees as *people*. Some managers get caught up in the mechanics of managing money, materials, machines, and the organization. They forget to deal with the individual as a person. Be patient; answer questions.)

F. Act only within authority

X. Ways to insure a sound grievance procedure (Assignment Sheet #4)

A. Take action to prevent grievances

1. Look for signs of possible sources of dissatisfaction

EXAMPLES: Too much griping, not following orders, loafing, wasting time, increased accidents, high rate of absences, high rate of turnover, damaged equipment, poor housekeeping, criticisms in employees' suggestion box

2. Look for possible problem areas

EXAMPLES: Several inexperienced people, improper training, lack of adequate communications

B. Let employees know how they can express their dissatisfaction

(NOTE: Encourage employees to use their chain-of-command and make suggestions for improvement.)

1. Allow employees to express their concerns

(NOTE: It might be advisable to have employees submit their concerns in writing. Writing grievances down allows the employee to think through the situation.)

2. Discuss situation with employee in a consultative interview (Assignment Sheet #4)

a. Outline the problem, including an explanation of rule that was broken

b. Allow employee to explain

c. Discuss things that should have been done to prevent the problem

d. Reach agreement with employee on corrective action that should be taken

INFORMATION SHEET

C. Restore employee morale by improving situation

1. Improve work conditions
2. Improve benefit procedures
3. Improve payroll procedures
4. Improve training

XI. Guidelines for establishing a climate of positive discipline

A. Provide employees with set of clearly defined rules and standards

(NOTE: An employee handbook may help with communication rules.)

B. Enforce rules and standards in a fair manner

C. Allow flexibility to handle unique situations

D. Tell employees the consequences of breaking rules

(NOTE: Managers should only allow subordinates to break rules when permission is granted to satisfy a particular problem.)

E. Establish an appeals procedure for employees to voice their opinions on decisions they feel are unfair

F. Recognize good performance, reliability, loyalty, and total teamwork effort

XII. Steps to follow when taking corrective disciplinary action

A. When *minor rules* are violated

EXAMPLES: Reporting to work late, wearing inappropriate clothing, making personal calls on company time

1. Remind employees of rule(s) in violation
2. Give a formal verbal warning
3. Give a written warning
4. Conduct a consultative interview
5. Take action as necessary

(NOTE: If the violation continues, management may be forced to suspend or dismiss the employee. It may be necessary to consider a second violation of the same rule as a serious offense.)

INFORMATION SHEET

B. When *serious rules* are broken

(NOTE: It may be necessary to take legal action for serious offenses.)

EXAMPLES: Stealing, destroying company property

1. Conduct an exit interview

   a. Present the problem, including an explanation of the seriousness of the offense

   b. Allow employee time to speak

   c. Process termination papers

2. Dismiss employee

XIII. Guidelines for evaluating employee performance

(NOTE: Performance evaluation of each subordinate is a major supervisory responsibility.)

A. Evaluation process must be systematic and continuous

(NOTE: Every six months, all employees should be granted private interviews with their supervisors for the purpose of performance review.)

B. Everyone who works for the firm must be evaluated

C. Each employee's performance must be evaluated as objectively as possible

XIV. Steps for conducting performance appraisal interviews (Assignment Sheet #5)

(NOTE: Performance appraisals should be conducted in a climate of positive discipline, and should consider the employees' MBO's [Management By Objectives], if they are used by the firm.)

A. Arrange interview in advance

EXAMPLE: Notify employee, set up a quiet, private interview area, allow adequate time so interview will not be rushed

B. Greet employee in a friendly manner and encourage him or her to be comfortable

(NOTE: Non-verbal communications have a direct influence on how comfortable the employee will become. To help employees feel more at ease, managers should smile, give slight nods of the head and look interested in what the employee is saying.)

C. Give employee the opportunity to present personal views about his or her current situation

INFORMATION SHEET

D. Explain management's view of the employee's current situation

(NOTE: Supervisors should encourage good performance and make recommendations for improvements as necessary.)

E. Discuss employee's future with the company

(NOTE: MBO's may be useful in helping employees plan their futures.)

EXAMPLES: Pay increases, promotions, transfers

F. Complete rating form in employee's presence and have it signed

XV. Management decisions based on employee evaluations

A. Improve training program where necessary

B. Improve working relations between supervisors and subordinates

C. Adjust employee's salary--Pay according to performance

D. Hire new employees to take care of overflow work

E. Transfer, promote, or demote employees

F. Identify employees who are ready to take on additional work assignments, and delegate as necessary

EMPLOYEE DEVELOPMENT
UNIT IV

ASSIGNMENT SHEET #1--EVALUATE AN OPEN-DOOR POLICY

NAME ______________________________ SCORE ______________

Every supervisor claims to maintain an "open door" to the office. He or she wants the staff to feel free to come into the office and discuss anything relating to the firm. Some supervisors encourage "small talk" as well. This assignment will help you understand the challege of maintaining open communication.

Read the case study and answer the questions to evaluate a consultative interview.

PART I--Case study: "MY DOOR IS ALWAYS OPEN"

Tina Saunders, chief accountant, and Bob Williams, manager of the men's department, were walking down the main aisle of MASON's READY-TO-WEAR-SHOP on their way out to lunch. As they approached the door, they saw Jim Mason, the president, talking to Miss Bates, the jewelry section manager. Jim was trying to edge away, and he sounded somewhat impatient, as he said, "Well I have to run along now. Drop into my office when you have a chance. You know . . ."

As Tina and Bob walked out the door, Bob said, "Bet his next words were, 'My door is always open'."

Tina replied, grinning, "I won't take that bet."

After the two were seated in the restaurant across the street, Bob said, "Jim is finding it pretty hard to take his father's place as head of the store. Of course, it was a shock to him when his father was killed in that plane crash. But, it's been over eight months now, and Jim is still tense and keyed up all the time. It's not that he doesn't know store operations. He was well-coached from the ground up. Started as a part-time stock boy even before he was in high school and he worked every summer through his high school and college years. He spent time in every department. For five years he was his father's assistant. So he knows operations all right."

Tina was quiet for a few seconds before answering. "Yes, he knows operations. Maybe that's his trouble. Now, don't get me wrong. I like Jim. But, I can't really get to him with ideas or suggestions. I've been with the store for a little over two years." Tina paused for a moment, then said, "I was assistant chief accountant over at the Emporium when I heard of the opening here. I heard, too, that Mr. Mason, Jim's father, was a fine person to work for, and he was. He gave me free reign in the accounting department and let me make a lot of changes after I'd discussed them with him. Easy man to talk to. Encouraged ideas. But not . . ."

"I know," said Bob. "Now we don't have a chance to discuss either ideas or problems with the boss. But heaven forbid that we go ahead and make our own decisions. I've stopped dropping in that 'open door.' Last week I made an appointment with Jim to discuss the new lines of shirts and suits we'd been handling for the last month."

Bob went on to say that Jim was on the phone when he got to Jim's office. Jim motioned to a chair, and Bob sat down. When Jim hung up, he dashed out without a word to talk with his secretary. He came back, wrote some things on a pad, and made a few notations on some incoming mail, then turned to Bob and said, "Well, what's your problem today?"

ASSIGNMENT SHEET #1

Bob reminded him that they had agreed to discuss the new shirt and suit lines. Bob also said that he had some sales figures and some customer comments which the clerks had passed on to him. Bob said, "When I mentioned clerks, Jim broke in to sound off about the shortage of help in the women's department. Then the phone rang. We got back on the track again for about three minutes. Jim was looking at the sales figures and I was pointing out the upward trend, when he said, 'What do you think of Thompson in your department? Is he slowing down a bit?'"

"Well, I was about to give up on that session, but I was saved by the phone. Jim was pretty angry when he finished the phone conversation. He turned to me and said, "Trouble in the advertising department again. Blake is always crying on my shoulder. Guess we have your problem worked out, haven't we? Blake is coming up now. But, when you have a chance, drop back and let's have a real chat about your department. Especially those new lines we put in a while ago . . .' Jim said that as he edged toward the door; I was still talking. I said, 'Thanks Jim,' and left. I'd just about reached Mary's desk in the outer office when Jim called, 'Thanks for coming, Bob. Come back any time. You know my door is always open'."

PART II--Answer the following questions.

A. How does Jim rate as a good listener?

B. Give three examples to justify your rating of Jim.

C. What is the reaction of employees to Jim?

ASSIGNMENT SHEET #1

D. What is Jim's attitude toward his employees?

E. In your opinion, what is wrong with the way Jim acts in meetings with a staff member?

F. What could Jim do to improve meetings with employees, such as the one Bob described?

EMPLOYEE DEVELOPMENT
UNIT IV

ASSIGNMENT SHEET #2--CONDUCT A GROUP SESSION ON HUMAN RELATIONS

NAME ______________________________ SCORE ______________

In addition to giving new employees specific job-related or firm-related information, supervisors need to conduct activities which cause new and experienced employees to interact and work with one another. "The Squares" human relations project has been found effective in working with groups trying to achieve this type of interaction. Dr. Donald O. Clifton, president of Selection Research Incorporated at the University of Nebraska, developed this human relations experiment project in an effort to encourage group interaction.

In this assignment, you are given all information necessary to conduct "The Squares"* session. Study the instructions and prepare to train and conduct a group session on human relations.

(NOTE: There are four parts to this assignment.)

PART I--Study "The Squares" instruction sheets

(NOTE: Instruction sheets follow.)

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*Bavelas reported using these squares in an article entitled "Communication Patterns in Task-Oriented Groups," *Journal of the Acoustical Society of America*, 1950, 22; 725-730.

ASSIGNMENT SHEET #2

THE SQUARES
INSTRUCTION SHEET

Purpose

The purpose of this experiment is to increase the awareness of the needs that other people have. Many times and in many situations we are so concerned about getting our work done that we forget that the people around us have needs in the work they are doing.

Situation

This experiment can be done at any meeting where you have a room with a table for every five persons. A set of squares is needed for each person. However, everyone does not need to participate in putting the squares together. One half of the group can be observers and make a good contribution.

Procedure

The leader explains that members should try to do a task of putting some squares together. As they are doing this they should make an observation about how people work together. A brief explanation is best in this experiment. We want the members to *discover* some of the problems we have when we work together in a group. The leader makes the following explanation.

1. There should be five participants at each table.
2. Each participant is expected to construct a square.
3. Each participant is given three pieces at the beginning of the experiment. These three pieces should have the same number on them. They will not fit together to make a square. They must receive pieces from the other participants in the group. (See Figures #1-#4.)
4. The participants can *only give away* pieces of the square.
5. No participant can ask, point, or give any indication about a piece that he or she wants. Each participant must pass pieces to other participants who can use them.
6. With that explanation, the leader tells the group or groups to begin putting the squares together.
7. The leader needs to know that one square may be put together so that it will prevent other participants from completing their squares. A participant may need to break a completed square so that another participant may have the piece he or she needs to complete his or her square. *The leader does not tell this to the participant.* However, the leader may be assured that the pieces do make five squares--a square for each participant.

ASSIGNMENT SHEET #2

Discussion

After all the squares have been completed, the observers should have an opportunity to report what they have noticed. Second, the participants should make observations about their own behavior. The following questions may be helpful in the discussion.

1. Was it difficult for people to focus upon what other people needed? If yes, why should this be?
2. Did some people become involved in their own construction and forget about the others?
3. When the work was completed, did some feel that their job was over and stop or did they maintain interest and think how they could help another person even though they had finished their own?
4. Have you noticed anything like this in your real life?
5. Ask each person to think about one person with whom they are very close. Have you thought about what this other person needs? Have you given consideration to how you might help him or her complete the work that he or she is doing or help this person do the work better?

Follow-up

Having done this experiment the leader may have, from time to time, a teachable moment when a reference can be made to accomplish any project by focusing on the needs of other people in the group. Perhaps other members can, in reports that they are making, make reference to this idea.

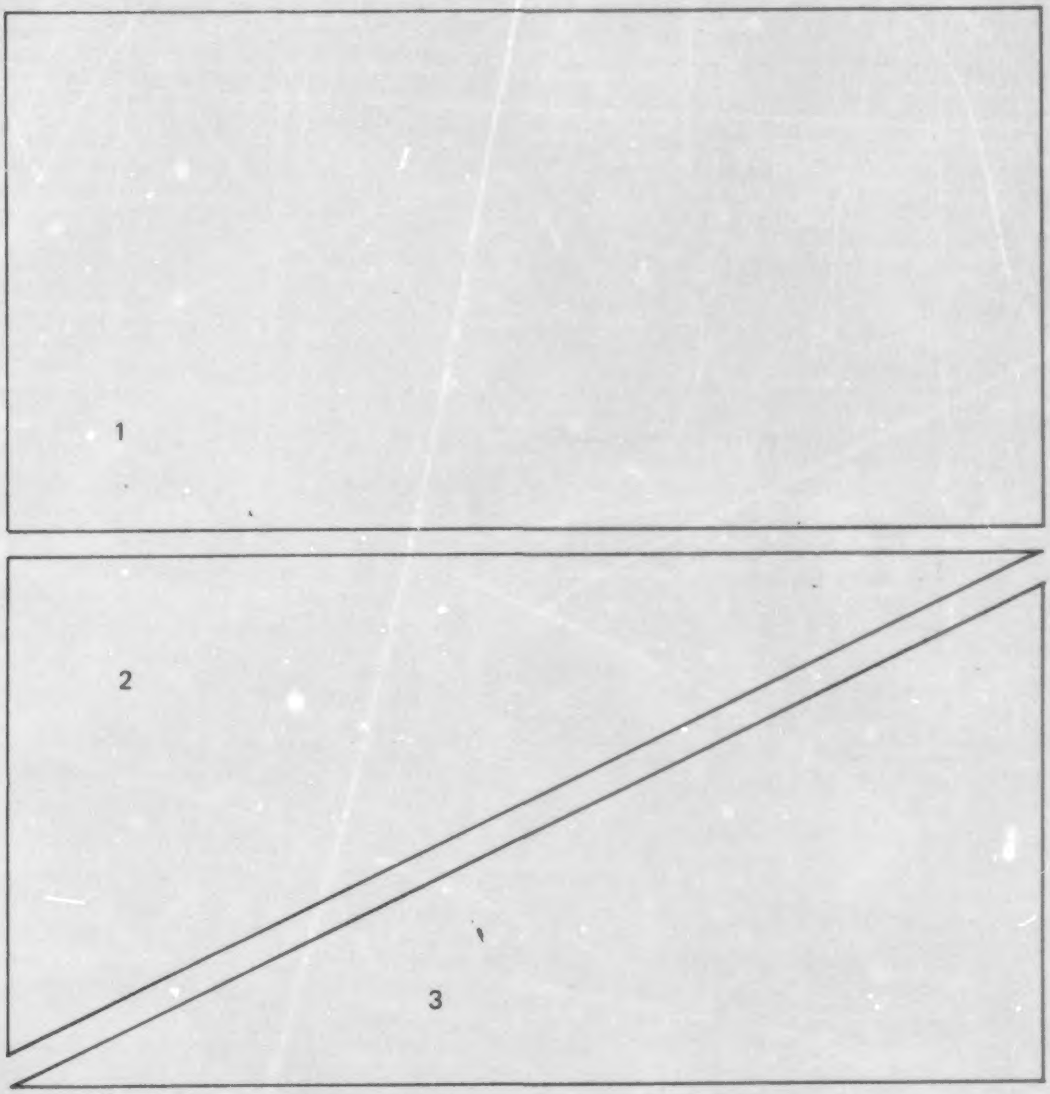
Evaluation

Leaders should attempt to find out from the members how effective this project has been. Leaders should watch for references to this experiment and should notice whether or not this makes a difference in the way the group works together.

ASSIGNMENT SHEET #2

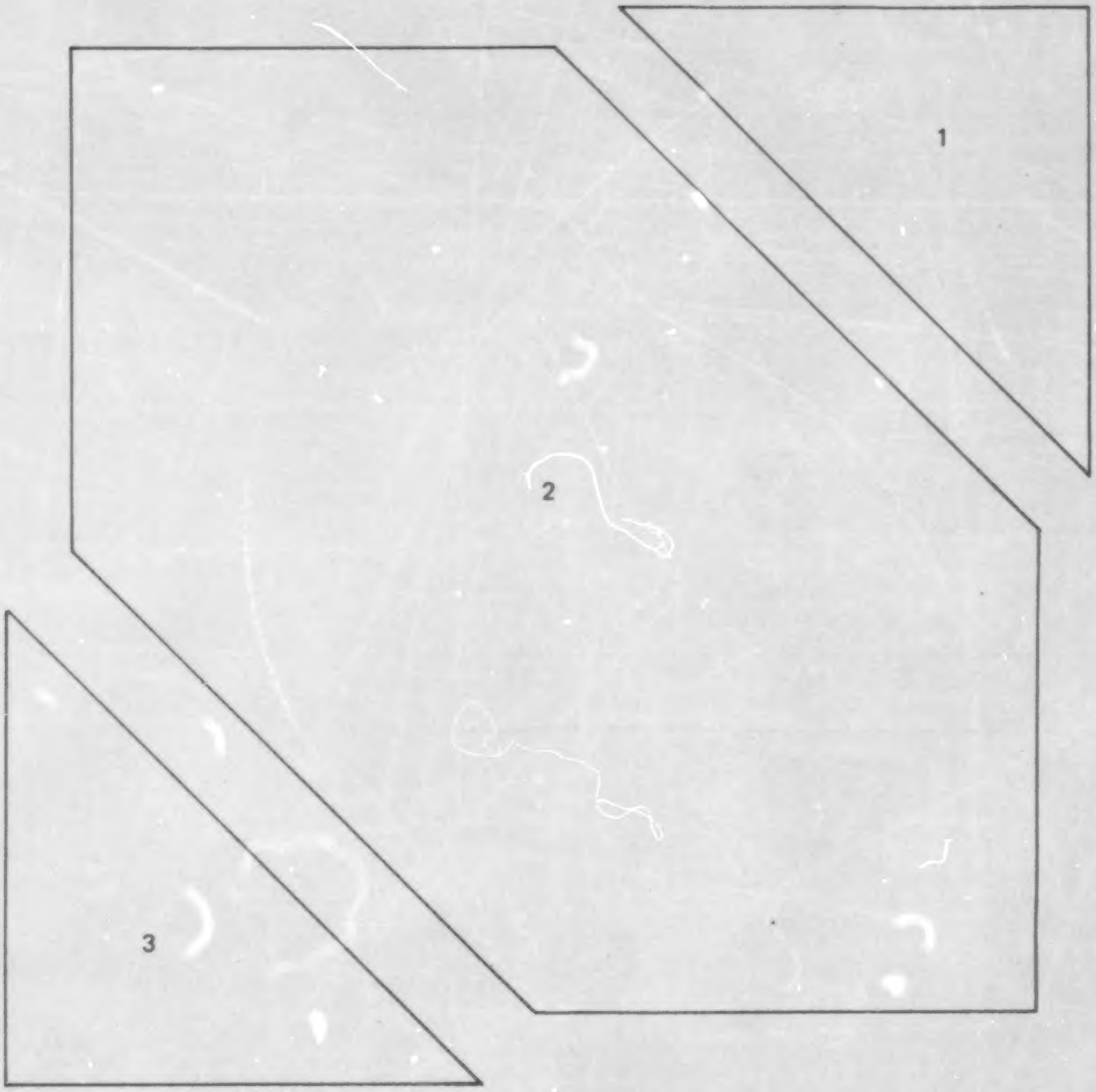
(NOTE: One square must be assembled as shown in Figure 1 or other members will not be able to complete their squares.)

FIGURE 1



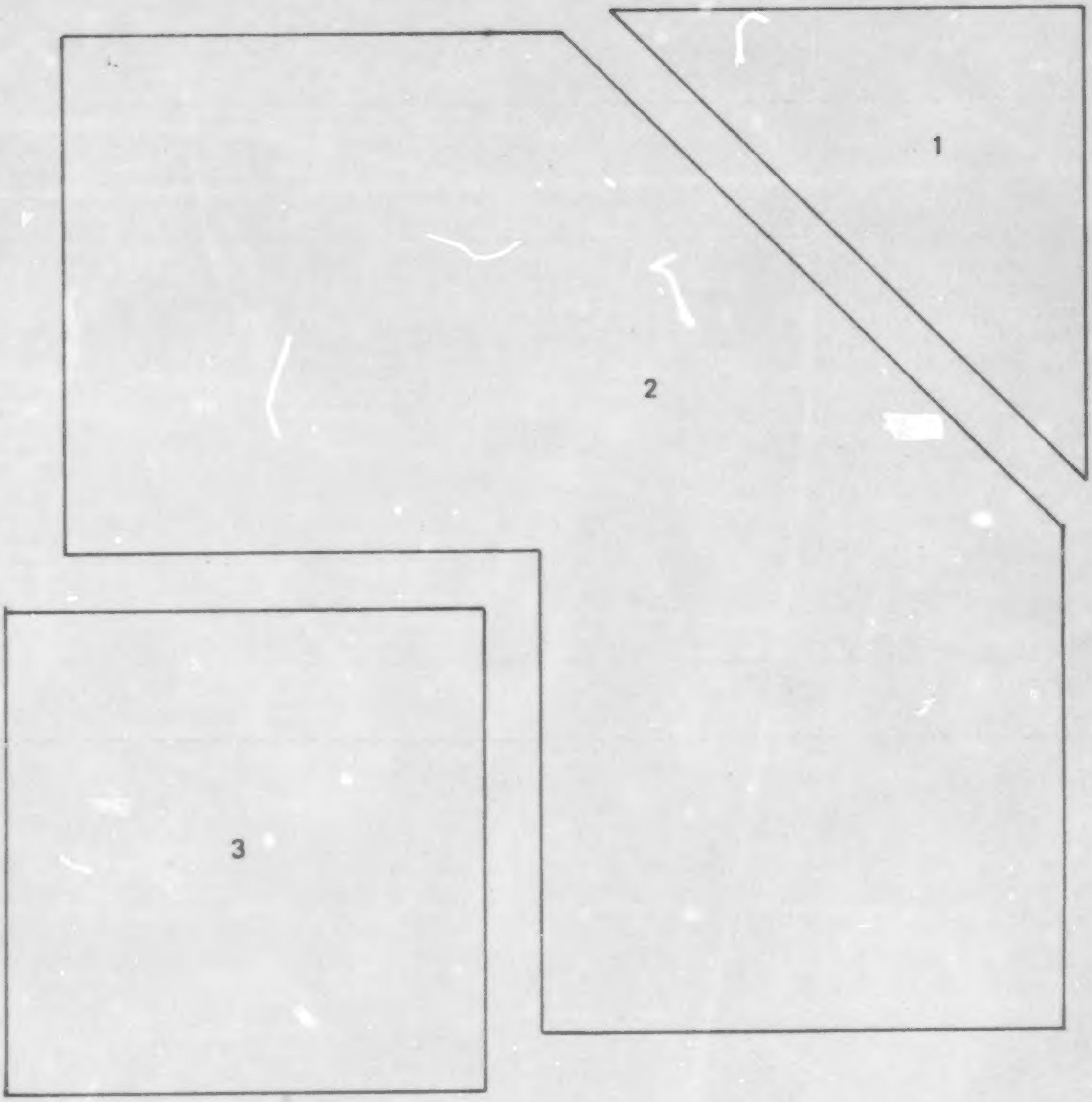
ASSIGNMENT SHEET #2

FIGURE 2



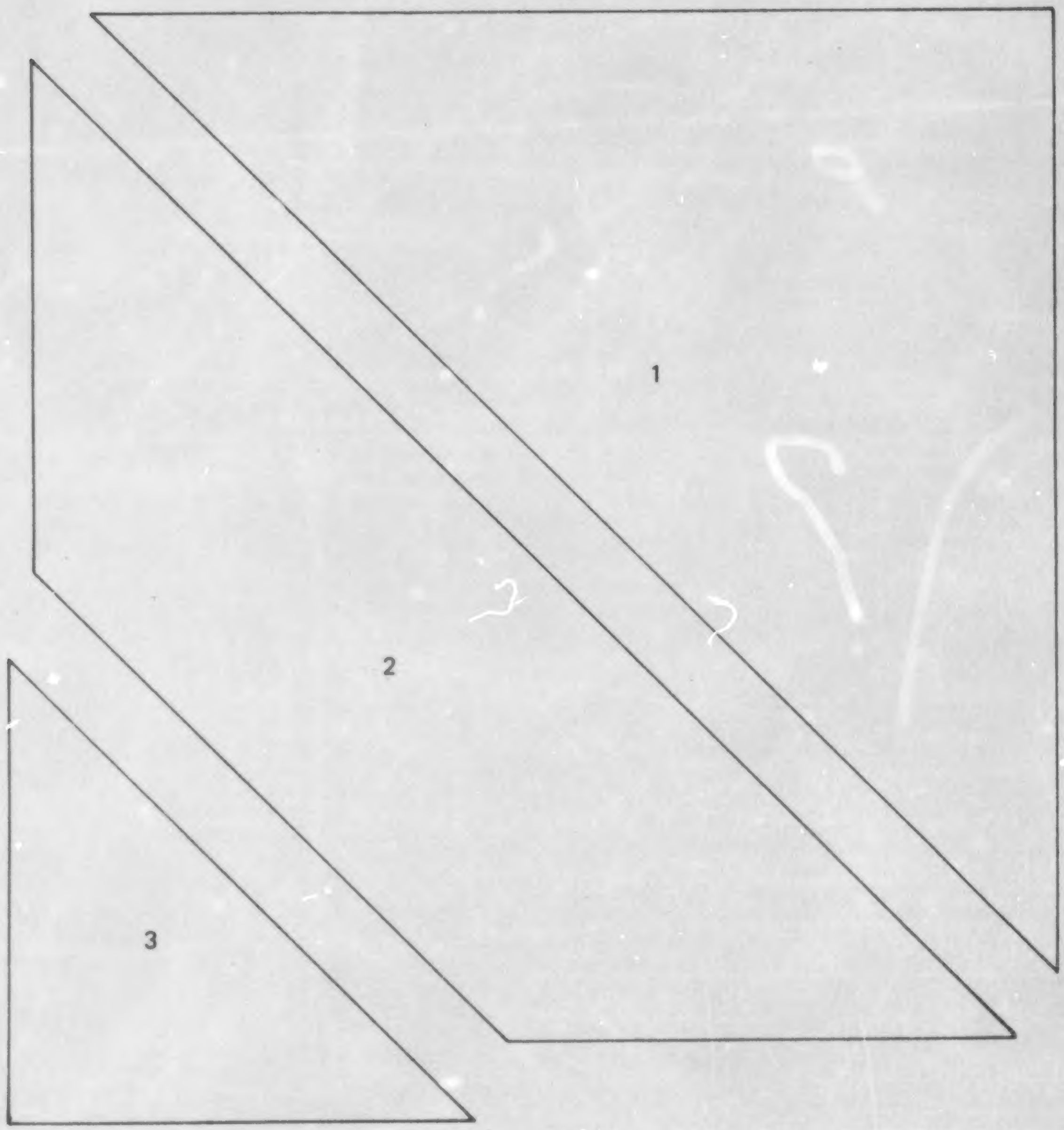
ASSIGNMENT SHEET #2

FIGURE 3



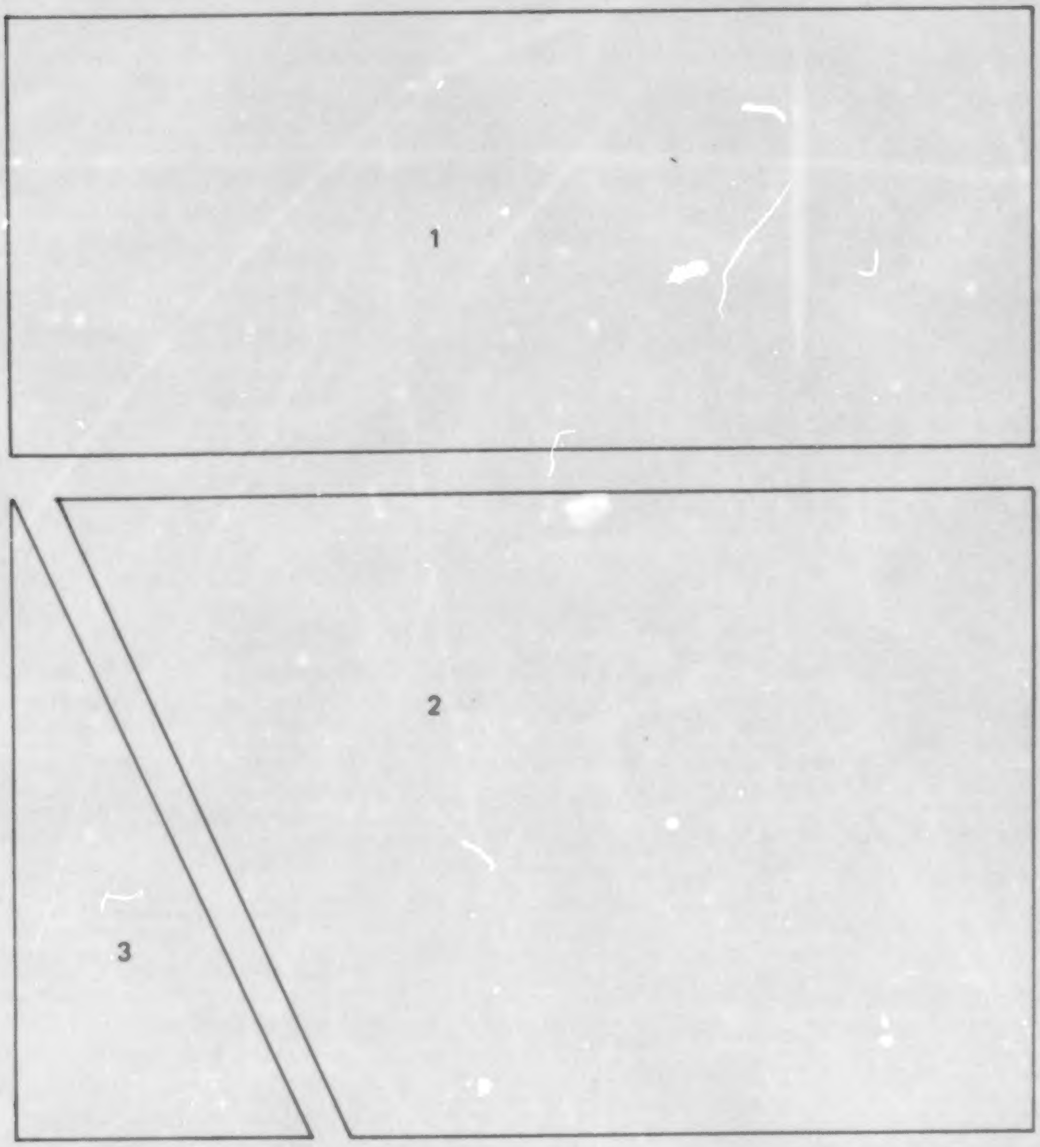
ASSIGNMENT SHEET #2

FIGURE 4



ASSIGNMENT SHEET #2

FIGURE 5



ASSIGNMENT SHEET #2

PART II--Prepare to train

(NOTE: Use this project with employees of your training station during a store meeting, if possible, or as a "mixer" activity during a DECA chapter meeting. Be sure to confirm your meeting with your training sponsor or DECA advisor.)

A. Set up a time and place for the session

B. Notify employees/members

C. Prepare materials

D. Arrange facilities

PART III--Conduct a group session on human relations

(NOTE: Be sure to confirm this scheduled activity with your training sponsor/DECA advisor and officers two days before the meeting.)

ASSIGNMENT SHEET #2

PART IV--Evaluate the group session

GROUP SESSION
EVALUATION CHECKLIST

Mark a check (√) in the blanks to show what you did and did not do.

DID YOU . . .	YES	NO
A. Set a time and place convenient for employees? (NOTE: Goodwill and employee morale is increased if store meetings are held on company time.)		
B. Notify employees as to when, where, what, why, and how session was to be conducted?		
C. Follow a training plan--Preparation, presentation, demonstration, evaluation?		
D. Start on time?		
E. Greet group cordially, identify the topic and desired objective, and set limiting factors or conditions to be followed during the meeting? (NOTE: All of the above items should be finished in the first part of the meeting.)		
F. Outline approach to problem or topic so that individual group members were encouraged to participate? (NOTE: Stubborn, dictatorial attitudes might be suggested if the young management-trainee does not carefully plan the introductory remarks for the group session.)		
G. Use visual aids? EXAMPLES: Charts, graphs, pictures, merchandise to demonstrate or illustrate main points		

ASSIGNMENT SHEET #2

DID YOU . . .	YES	NO
H. Ask participants open-ended questions to draw out opinions?		
I. Keep discussion on the subject by avoiding arguments and not letting anyone, including yourself, monopolize the meeting?		
J. State facts as facts and identify opinions as opinions?		
K. Give examples to show how conclusions or procedures would be practiced in your firm under various circumstances?		
L. Summarize frequently?		
M. Reach a conclusion the majority understood and accepted?		
N. Invite group to comment on effectiveness of meeting by filling out an anonymous evaluation form?		
O. Thank everyone for giving their cooperation, opinions, and ideas as the meeting was being conducted?		
P. Ask for continued thought and observation on the topic?		

EMPLOYEE DEVELOPMENT
UNIT IV

ASSIGNMENT SHEET #3--EVALUATE A DIRECTIVE SITUATION

NAME ______________________________ SCORE ______________

Supervisors often have to give directions, instructions, orders, and definite answers to problems facing the firm and its employees. These interviews or store meetings are labeled "directive." Directive situations are controlled almost entirely by management. Employees are given little opportunity to voice their opinions because the situation is one which requires management to act promptly. Directives are designed to get an activity underway with as little delay as possible. Supervisors need to be able to recognize situations which require directive action and make necessary decisions.

In this assignment you are given a case study which involves a directive situation. Read the case study and answer questions to evaluate the situation.

PART I--Read the case study.

As soon as he returned from lunch one day, Mr. Barber, manager of the Barber Supply Co., called his chief accountant. "Say, Harry, come right up to my office. Heard about a fine new system that ought to save us some money in accounting department salaries. We're going to try it."

When Harry came to Mr. Barber's office, he was greeted with, "Now sit down and let me tell you what we're going to do. We're going to eliminate pennies from all of our accounting records. Whole-dollar accounting, they call it. Saves writing or typing millions of digits a year. Fella at lunch today talked about it. Lots of companies are doing it. Can make income tax reports without pennies, so why not our own records. Well, Harry?"

"Well, Mr. Barber," said Harry, "I've heard of the system. Fact is, I've done quite a bit of reading about it. Talked to some of the members of the accounting society I belong to who have used the system. It takes some planning to revise an accounting system, and I wanted to learn more before . . ."

"Planning? Learn more? That's the trouble with accountants. Never take a chance. Why, man, the only way to do this is to start doing it. Just round the dollars--49 cents and under, drop; 50 cents and over, raise to the next highest dollar. That's all."

"But, Mr. Barber, clerks will have to know what to do with various accounts. At what point should the variance (difference between actual and rounded amounts) be handled? And, more important, if we're thinking of adopting the system, how will accounting personnel accept it?"

"How will accounting personnel accept it?" shouted Mr. Barber, growing purple in the face. "Your temperamental accounting people just better accept it if I tell them to. And furthermore . . ."

Just then, Mr. Barber's secretary came in to say, "Sorry to disturb you, but Mr. Jackson of the J-B Supply Company is on the phone."

ASSIGNMENT SHEET #3

Mr. Barber (on phone): "Hello, Sam---------yes, I did enjoy the lunch. I've just been talking to my chief accountant about the fine new system---------Oh, you do? ---------For the last three years, eh?---------Oh, you have a lot of literature on it you think I might like to read and pass on to my accounting people---------. You what? Had meetings and ran tests before you even made any plans?---------Good suggestions from employees after you overcame their resistance to change, eh? ---------Several approaches to take, you say?---------Oh, you had your chief accountant and some of his supervisors visit some offices using the system? Yes. Oh, sure, Sam. My man is right here. I'm sure he'd be interested in talking to your people. Well, Sam, thanks for calling. Guess I got carried away by that speaker today. Thought it would be pretty simple, but there's more to it than I thought."

Mr. Barber sat with his hand on the phone for a few minutes after he finished the conversation, staring at the opposite wall. He slowly turned to Harry and said, "Well, I guess you know what that was all about. He called me to see if he could help. Seems that several years ago he tried to install a new record system by what he called the 'undivine authority' method. Failed miserably. So with this accounting system, he used another approach and got good results."

"So go over there Harry. And take some of your supervisors. Let's get together again in two weeks and see what you've found out."

PART II--Answer the following questions.

A. When their conversation started, what was the difference between Barber's and Harry's approach to introducing a new system?

B. What was Barber's reaction to suggestions?

C. How did Barber feel about accounting personnel?

ASSIGNMENT SHEET #3

D. In your opinion, what was Barber's attitude toward employees in general?

E. What was Barber's reaction to his conversation with Jackson?

F. Do you think that Barber learned anything from this episode? What?

G. What do you think took place in the meeting after Harry and some of his supervisors visited Jackson's accounting department?

EMPLOYEE DEVELOPMENT
UNIT IV

ASSIGNMENT SHEET #4--ANALYZE A CONSULTATIVE INTERVIEW

NAME ______________________________ SCORE ______________

Good supervisory practices are preventive discipline measures. Proper actions and attitudes on the part of supervisors will reduce need for disciplinary measures. Some of these actions and attitudes include training by setting a good example, being present when you should be, administering employees' needs fairly, practicing good communications, checking on things as often as needed; keeping good, accurate records, working with causes (not effects or symptoms), practicing awareness, and looking for the tell-tale signs of employee discontent. If supervisors do these few things, their discipline problems should be cut to a minimum. They will, however, never be totally eliminated. It is up to management to handle problems as they arise.

Consultative interviews are designed to allow supervisors to meet with subordinates in order to privately discuss minor problems. Both supervisor and employee take part in the discussion and come to an agreement on what corrective action should be taken.

In this assignment sheet, you are given a situation dealing with a consultative interview. Read the case study and decide on the best action that can be taken.

PART I--Read the case study.

Maria Sanchez has been the manager of the produce department of a grocery wholesale company for six months. When Maria took on the job as produce manager she "inherited" five employees; all of whom are middle aged (35-55 years old). All five are active church members and are close personal friends, nonsmokers, nondrinkers and do not take part in parties and other active social functions. Four of the employees had married in their twenties; and, the fifth, John, was married less than a year. All five of the original employees had been with the company more than 10 years when, two months ago, John submitted his resignation to Maria. He had found a job that allowed more advancement within the company and chose to change employers.

John's replacement, 23-year-old Christine Garvery, was selected by Maria and began working three days following John's departure. Christine received a Bachelor's of Business Administration degree from a state university last June. Her abilities far exceed those of her four co-workers. She is being considered for a management-trainee position within the firm.

Christine is single, smokes, drinks socially, attended church once during the past year, plays cards, and offered to bet with the other employees on the university's football games. She was reported to have been seen frequently in local night spots. The other employees have been critical of her stylish clothes.

Three weeks ago, the experienced clerks decided to make life miserable for Christine by subjecting her to the "silent treatment." That is, they refused to speak to her at all--even on matters of business. Maria thought this a highly unfortunate, uncalled-for situation, and finally called the four experienced employees into her private office to criticize them and to inquire as to their reasons. After pointing out that Christine is an excellent, quick worker, Maria urged them to accept her as a regular staff member. They promised to think it over and consult with her again the following day.

ASSIGNMENT SHEET #4

As soon as Maria arrived in the office the next morning, the four experienced employees marched into her office, closing the door behind them. The employee with the longest service spoke for the group and said: "We have thought over the current situation--and your remarks of yesterday, urging us to accept our new clerk. We think so little of her that we won't even name her in these remarks. We have decided that either she goes by noon tomorrow or we will all quit."

The clerks turned and began marching out of the door before Maria could respond to their ultimatum.

PART II--How would you react?

A. Identify the true problem.

B. Gather information.

C. List possible solutions.

ASSIGNMENT SHEET #4

D. Evaluate probable results of each solution.

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E. Decide on the best solution.

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EMPLOYEE DEVELOPMENT
UNIT IV

ASSIGNMENT SHEET #5--ANALYZE A CASE STUDY ON EMPLOYEE DEVELOPMENT

NAME ______________________________ SCORE ____________

Many problems encountered by managers may have been prevented had proper interviewing, selection, scheduling, and training taken place with each new employee. Each of those functions of personnel management costs the firm money, but taking time initially can prevent costly errors and low employee morale later.

In this assignment you are given a case study dealing with selection, training, and motivation. Read the case study and analyze the situation.

PART I--Read the case study.

The Mid-State Hotel Equipment Company was established by two men, Harold Young and Robert Roe. Both were successful wholesale salesmen. Harold took charge of the office, while Robert retained control of the sales department. Principally because of the clientele that Robert had built up in this area, the company expanded rapidly and soon attained a prominent position in the local trade. The company employed three men in the shipping room, four women in the office, and three salespeople. A large part of the sales of the Mid-State Hotel Equipment Company was composed of complete installations of equipment. These installations required considerable skill and experience. Mr. Roe found that it was almost impossible for him to lay out and control all of the installations the company was making. He placed the following advertisement in a local newspaper: "Wanted - a young person interested in a future as a skilled sales engineer. Will train. No experience necessary. Give full particulars. Write c/o Box 210."

Of the people who answered the advertisement, a man named Jim Krenshaw interested Mr. Roe. Jim seemed to have the qualifications Mr. Roe desired. He was 25 years old, married, and a veteran. Before serving in the Air Force, he served as a photographer. His letter was neat and well composed. Mr. Roe arranged for an interview.

Jim arrived at the appointed time. After a brief discussion of Jim's qualifications and the job, Mr. Roe started to describe the opportunities of the position offered:

MR. ROE: "Laying out an installation is a skilled job, Jim. It requires hard work, experience, knowledge of the equipment, and most important, a lot of ingenuity. Now, I think that you have the basic stuff. If you're interested in the field, I can give you the necessary training."

JIM: "It sounds very interesting, Mr. Roe. I've always been able to learn quickly, and I think I'll be able to catch on without too much trouble."

MR. ROE: "Well, there's a real future here. There are so many people trying to do this work who don't know what's going on, that a good man who knows his stuff is really appreciated. Why, look at me! I have so many installations here that I can't handle them all myself. That's why I need a good young man to help me. This organization has grown rapidly, and it's going to keep right on growing. I've got to get someone in now--someone who can grow right with the company. After all, I'm not so young anymore; and I can't keep up this pace. I'm going to have to take it a little easier in the future. Well, how does it sound, Jim?"

ASSIGNMENT SHEET #5

JIM: "It sounds very good to me, Mr. Roe. I think there's a lot to be learned, and I'm pretty sure I can handle it. I've always wanted the chance to start with a young company and grow with it. This does sound good to me."

MR. ROE: "Well, then, I guess it's settled. Be here around 8:30 Monday morning, and you can start right in."

JIM: "Thank you very much, Mr. Roe, I'll see you Monday."

On Monday, Jim reported to work. His first assignment was helping with sales on the floor. As Mr. Roe told him, "The first thing you have to do is get some idea of what the equipment is like. If you aren't busy selling, I want you to spend your time reading and studying some catalogs."

For several days, Jim had a great deal of trouble, since he did not know names, uses, or even the location of the merchandise on the display floor. However, gradually, he began to "find his way around."

About one week after Jim started working, Mr. Roe decided to spend some time with him, explaining the various classes of merchandise sold by the company. Jim listened intently, and this talk seemed to rekindle his enthusiasm. For the next two weeks Jim continued to work on the floor and continued to have informal talks with Mr. Roe on Saturdays. Then he was asked to help with stock control for a couple of weeks. Throughout his time in stock control, Jim's enthusiasm and interest seemed to be lagging. Mr. Roe was not very happy with his progress. Mr. Roe remarked to his partner, "I don't know what's wrong with Jim. He just doesn't seem to use his common sense, and he's wasting a lot of time talking to the office help. I'm going to start working more closely with him. Maybe then he'll straighten out." Shortly thereafter, the Saturday afternoon talks had to be dropped because a number of important installations were pending and Mr. Roe was kept very busy.

About this time, Mr. Roe went to Chicago to attend a convention. He left Jim to "look after things." During the three days Mr. Roe was gone, Jim spent a good deal of time out of the office. When Mr. Roe returned, Jim approached and said, "Look Mr. Roe, I know that you aren't very happy with the way I've worked out on this job. Frankly, I'm not very happy either. Why don't we just call it quits?"

PART II--How would you react?

A. Identify the true problem.

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ASSIGNMENT SHEET #5

B. Gather information.

C. List possible solutions.

D. Evaluate probable results of each solution.

ASSIGNMENT SHEET #5

E. Decide on the best solution.

EMPLOYEE DEVELOPMENT
UNIT IV

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3--Evaluated to the satisfaction of the instructor

Assignment Sheet #4--Evaluated to the satisfaction of the instructor

Assignment Sheet #5--Evaluated to the satisfaction of the instructor

EMPLOYEE DEVELOPMENT
UNIT IV

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with employee development to their correct definitions. Write the correct numbers in the blanks.

_____a. Simulation device used for showing how to perform a given task

_____b. To end employment; stop working for a company

_____c. Book that gives procedures, listed step-by-step, for accomplishing job(s) assigned

_____d. Atmosphere of mutual understanding and common purpose between employee and management

_____e. Process by which employees gain necessary knowledge and skills to become proficient workers

_____f. Type of scheduling that allows employees to choose which hours within a given time frame they would like to work

_____g. Initial training session designed to acquaint new employees with company policies and procedures, facilities and equipment, and personnel

_____h. Employee's formal complaint about some aspect of the work situation

_____i. Act of granting authority and independence to a subordinate to complete activity

_____j. Indirect payment or service provided by business in addition to employee's regular salary

_____k. Interview between supervisor and subordinate just prior to employee's termination with the company

1. Benefit
2. Training manual
3. Delegation
4. Training aid
5. Exit interview
6. Flexible hours
7. Grievance
8. Training
9. Termination
10. Orientation
11. Positive discipline

TEST

______l. Interview between supervisor and subordinate for the purpose of privately discussing minor problems and concerns

______m. Interview between supervisor and subordinate where supervisor gives specific directions, orders, and/or definite answers to problems facing the firm

______n. Process of teaching/learning job skills in actual work situations

______o. Evaluation of employee work activities based on responsibilities, goals, and objectives over a given period of time

______p. Formal meeting between two or more people for the purpose of gaining information

12. Performance appraisal
13. On-the-job training
14. Interview
15. Directive interview
16. Consultative interview

2. State major aspects of employee development.

3. Discuss considerations for establishing and exercising administrative personnel procedures.

   a. Gaining cooperation and building morale--______

TEST

b. Work hours--____

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____

c. Work conditions--____

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d. Payroll procedures--______________________________________

e. Benefit procedures--______________________________________

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____

4. Select from the following list reasons for training employees. Write an "X" in the blank before each correct answer.

_____a. Training is an expense to business and should only be used for employees who are slow learners; it makes them better employees

_____b. Training responsibilities should be delegated down to subordinates; management should play a very small role in training employees

_____c. Training helps eliminate mistakes

_____d. Training usually causes employees to become anxious and causes a decline in morale

_____e. Trained employees require less supervision

_____f. Training should be considered an investment in human resources

_____g. Training makes it unnecessary for supervisors to answer questions

_____h. Training helps prepare future management candidates

TEST

5. Match common methods of training used on the job to their correct descriptions. Write the correct numbers in the blanks.

______ a. Task is assigned with no instruction and the employee must decide how to complete it

______ b. Supervisor demonstrates task and tells employee, step-by-step, what is being done; however, there is little or no time made available for employee to practice

______ c. Supervisor demonstrates task using a step-by-step method; however, it is done very slowly or with training aids instead of actual supplies and equipment

______ d. Task is assigned and training manual is made available to employee; however, there is little or no verbal instruction given

1. Dramatization
2. Show-and-tell
3. Study-and-recite
4. Trial-and-error

6. Arrange in order steps used to effectively train employees. Write a "1" in the blank before the first step, a "2" before the second step, and so on.

______ a. Teach the process--Tell, show, and demonstrate each point; stress key points

______ b. Test the employee--Ask why it is necessary to be able to do assigned activity, and have employee demonstrate ability to perform the task

______ c. Have the employee apply the process--Guide the trainee; correct errors immediately; ask trainee to repeat the performance

______ d. Reteach points that were apparently misunderstood or simply not learned

______ e. Thank the employee--Compliment trainee on having learned the task and encourage future learning

______ f. Prepare the employee--Explain the need to know how; show importance of the job; get the "trainee" interested

7. State major reasons for delegating work to subordinates.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

TEST

8. Select from the following list principles of work delegation. Write an "X" in the blank before each correct answer.

_____a. Employees should be given the opportunity to participate in delegating additional-duty work assignments

_____b. Effective delegation does not mean giving up all authority; manager must retain some right to make final decisions

_____c. Delegations involve projects which require little responsibility, such as having a subordinate complete a minor task

_____d. Employees must be ready to take on additional duties

_____e. Employees must understand what is expected of them

9. Select from the following list guidelines for conducting a directive interview. Write an "X" in the blank before each correct answer.

_____a. Set a "let's get down to business" atmosphere

_____b. Tell subordinate exactly how you feel about the situation; it is not necessary to convey support and understanding in a directive situation

_____c. Act only within authority

_____d. Emphasize personal characteristics which need improvement

_____e. Assume a power position to control anxiety or tension level of meeting; show superiority

_____f. Remember that company growth is the major goal; employee development takes a "second seat" in a directive situation

10. Discuss ways to insure a sound grievance procedure.

a. Take action to prevent grievances--______________________________

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TEST

b. Let employees know how they can express their dissatisfaction--______________

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c. Restore employee morale by improving situation--______________________

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11. Select from the following list guidelines for establishing a climate of positive discipline. Write an "X" in the blank before each correct answer.

_____a. Recognize good performance, reliability, loyalty, and total teamwork effort

_____b. Enforce rules rigidly

_____c. Enforce rules and standards in a fair manner

_____d. Tell employees to find a copy of the rules and standards for the company by asking a co-worker

_____e. Establish an appeals procedure for employees to voice their opinions on serious matters only

_____f. Avoid telling employees the consequences of breaking rules

12. Arrange in order the steps to follow when taking corrective disciplinary action. Write a "1" in the blank before the first step, a "2" before the second step, and so on.

a. When *minor rules* are violated

_____1) Conduct a consultative interview

_____2) Remind employee of rule(s) in violation

_____3) Give a written warning

_____4) Take action as necessary

_____5) Give a formal verbal warning

TEST

b. When *serious rules* are broken

_____1) Process termination papers

_____2) Present the problem, including an explanation of the seriousness of the offense

_____3) Conduct an exit interview

_____4) Allow employee time to speak

_____5) Dismiss employee

13. Select from the following list guidelines for evaluating employee performance. Write an "X" in the blank before each correct answer.

_____a. Only new employees and those having difficulties need to be evaluated

_____b. Evaluation process takes place over a relatively short period of time

_____c. Evaluations are subjective appraisals of employee performance

_____d. Evaluation responsibilities can be easily delegated to others

14. Arrange in order the steps for conducting performance appraisal interviews. Write a "1" in the blank before the first step, a "2" before the second step, and so on.

_____a. Arrange interview in advance

_____b. Complete rating form in employee's presence and have it signed

_____c. Greet employee in a friendly manner and encourage him or her to be comfortable

_____d. Explain management's view of the employee's current situation

_____e. Give employee the opportunity to present personal views about his or her current situation

_____f. Discuss employee's future with the company

15. State five management decisions based on employee evaluations.

a. ____________________

b. ____________________

c. ____________________

d. ____________________

e. ____________________

TEST

(NOTE: Test questions 16-20 are assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

16. Evaluate an open-door policy.
17. Conduct a group session on human relations.
18. Evaluate a directive situation.
19. Analyze a consultative interview.
20. Analyze a case study on employee development.

EMPLOYEE DEVELOPMENT
UNIT IV

ANSWERS TO TEST

1. a. 4
   b. 9
   c. 2
   d. 11
   e. 8
   f. 6
   g. 10
   h. 7
   i. 3
   j. 1
   k. 5
   l. 16
   m. 15
   n. 13
   o. 12
   p. 14
2. a. Follow administrative personnel procedures
   b. Base supervisory practices on good human relations and competent delegation
   c. Handle all grievances as soon as possible
   d. Take positive disciplinary actions
3. Discussion should include
   a. Gaining cooperation and building morale
      1) Train employees
      2) Distribute work properly
      3) Recognize abilities and accomplishments
      4) Simplify duties when possible
      5) Instill a spirit of goodwill
      6) Show respect
      7) Be sure instructions, procedures, rules, and regulations are understood
      8) Provide the best available tools, equipment, and working conditions
      9) Set a good example
      10) Recognize symptoms of discontent or problems
      11) Work on causes of problem and not on effects or symptoms
      12) Practice an "open-door" policy

ANSWERS TO TEST

b. Work hours

  1) Must meet the needs of the business

  2) Use flexible hours to make scheduling employees easier

  3) Post work schedule chart in an area easily accessible to employees

  4) Employ part-time employees to fill peak work loads and/or to extend business hours

c. Work conditions

  1) Provide a comfortable work environment

  2) Provide an employee break area

  3) Provide area for employees' personal items

  4) Provide clean restroom facilities

  5) Assign equipment fairly

d. Payroll procedures--Pay fairly, promptly, and accurately

e. Benefit procedures

  1) Provide information upon hiring, and update from time to time

  2) Assist employees in filling out forms

4. c, e, f, h

5. a. 4

   b. 2

   c. 1

   d. 3

6. a. 2   d. 5

   b. 4   e. 6

   c. 3   f. 1

7. a. Increase employee participation in operations, thereby expanding knowledge and commitment to the firm

   b. Increase employee productivity

   c. Complete daily tasks more efficiently

ANSWERS TO TEST

- d. Allow supervisors more time to work on matters which cannot be delegated
- e. Increase profits for the business

8. a, b, d, e
9. a, c
10. Discussion should include
    - a. Take action to prevent grievances
        - 1) Look for signs of possible sources of dissatisfaction
        - 2) Look for possible problem areas
    - b. Let employees know how they can express their dissatisfaction
        - 1) Allow employees to express their concerns
        - 2) Discuss situation with employee in a consultative interview
            - a) Outline the problem, including an explanation of rule that was broken
            - b) Allow employee to explain
            - c) Discuss things that should have been done to prevent the problem
            - d) Reach agreement with employee on corrective action that should be taken
    - c. Restore employee morale by improving situation
        - 1) Improve work conditions
        - 2) Improve benefit procedures
        - 3) Improve payroll procedures
        - 4) Improve training
11. a, c
12. a. When *minor rules* are violated
    - 1) 4
    - 2) 1
    - 3) 3
    - 4) 5
    - 5) 2

ANSWERS TO TEST

b. When *serious rules* are broken

1) 4	4) 3
2) 2	5) 5
3) 1	

13. None of the statements are correct

14.

a.	1	d.	4
b.	6	e.	3
c.	2	f.	5

15. Any five of the following

    a. Improve training program where necessary

    b. Improve working relations between supervisors and subordinates

    c. Adjust employee's salary--Pay according to performance

    d. Hire new employees to take care of overflow work

    e. Transfer, promote, or demote employees

    f. Identify employees who are ready to take on additional work assignments, and delegate as necessary

16. Evaluated to the satisfaction of the instructor

17. Evaluated to the satisfaction of the instructor

18. Evaluated to the satisfaction of the instructor

19. Evaluated to the satisfaction of the instructor

20. Evaluated to the satisfaction of the instructor

COMPENSATING EMPLOYEES
UNIT V

UNIT OBJECTIVE

After completing this unit, the student should be able to administer policies and procedures related to compensating employees. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with compensating employees with their correct definitions.
2. Discuss reasons for establishing a sound compensation plan.
3. Distinguish among types of compensation plans.
4. Distinguish between classifications of time used in determining work for pay.
5. Match payroll records used in determining time worked to their correct descriptions.
6. Describe payroll information required by the Fair Labor Standards Act.
7. Match titles of payroll records to correct information regarding each.
8. State rules for paying employees upon termination.
9. List common benefits offered by businesses.
10. Complete payroll forms.
11. Give advice to an employee regarding pay.

COMPENSATING EMPLOYEES
UNIT V

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order materials planned to supplement unit--*Employer's Tax Guide--Circular E.* Publication 15, U.S. Government Printing Office. Available from the Internal Revenue Service in your area.

(NOTE: This publication gives detailed information for employers on withholding laws and tables as well as FICA tax tables.)

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

G. Have students discuss various compensation plans used within their training stations and other community businesses with which they are familiar.

(NOTE: Include discussion of various types of benefits offered by those businesses.)

H. Give test.

I. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency masters

1. TM #1--Sources of Payroll Information
2. TM #2--Personnel Record Card
3. TM #3--Payroll Register
4. TM #4--Employee's Earnings Record

SUGGESTED ACTIVITIES

E. Assignment sheets

   1. Assignment Sheet #1--Complete Payroll Forms

   2. Assignment Sheet #2--Give Advice to an Employee Regarding Pay

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management*. Cincinnati: South-Western Publishing Company, 1979.

B. Kirkpatrick, Charles A., and Frederick A. Russ. *Business*. Chicago: Science Research Associates, Inc., 1978.

C. Pendery, John A., and Robert W. Fuller. *Clerical Payroll Procedures*. Cincinnati: South-Western Publishing Company, 1970.

COMPENSATING EMPLOYEES
UNIT V

INFORMATION SHEET

I. Terms and definitions

A. Exempt--Free from rules, regulations, or practices which are required of others

B. Fair Labor Standards Act--Federal law which established minimum wage and straight time/overtime regulations

(NOTE: This pertains only to hourly employees. Executives, administrators, professionals, and outside sales people are exempt.)

C. Going rate--Amount being paid for comparable work by other firms in an industry or local geographic area

D. Gross wages--Pay before deductions are subtracted

E. Minor child--Individual under 18 years of age

(NOTE: Age certificate or "work permit" must be on file for each minor-child employee.)

F. Net pay--Take home pay; pay after all deductions are made

G. Off-duty time--Time not committed to work; time employees can effectively use for personal activities

H. Overtime--All time worked over 40 hours in any single week

I. Pay period--Span of time for which pay is calculated

J. Quota--Amount a salesperson is expected to sell in order to earn his or her salary

K. Straight-time wages--Regular hourly wages calculated on a maximum of 40 hours per week

L. Time suffered or permitted to work--Actual time spent working for a company

II. Reasons for establishing a sound compensation plan

A. Attract competent employees

(NOTE: Total compensation paid should be comparable to the industry's *going rate.*)

INFORMATION SHEET

1. Competent employees are in demand
2. Recruiting, hiring, and training costs may be reduced

B. Recognize employee performance

1. Companies must provide equal pay for equal work
2. Pay should be established according to job responsibilities
3. Bonuses may be provided to reward exceptional performance
4. Performance appraisals are encouraged

C. Retain experienced personnel

1. Experienced, qualified employees are generally more productive than new workers
2. Experienced employees require less supervision and training time
3. Although pay may not necessarily be a work motivator, low pay may be a cause of employee dissatisfaction

III. Types of compensation plans

A. Time wage plan

1. Based upon the number of hours the employee works
2. Expressed in relation to specific time period(s)

EXAMPLES: Hourly rate, weekly salary, biweekly wages, monthly salary, annual salary, hourly rate plus tips

B. Commission plan

1. Based upon a percentage of sales made by the employee
2. Frequently paid as a bonus for sales over an established quota

EXAMPLE: If an employee in a clothing store is given a quota of $10,000 for the month with a commission of five percent on all sales over $10,000, and that employee sells $10,500 during the month, he/she would be paid regular wages plus $25 in commission.

INFORMATION SHEET

C. Piece rate plan

(NOTE: Piece rate wage plans are seldom used in retailing businesses.)

1. Determined by multiplying the number of pieces produced by the rate paid per piece

   EXAMPLE: If a worker is paid 29 cents per piece and produces 759 pieces in the course of one work week, the company would pay gross wages of $220.11 for the week.

2. Must be enough to yield the minimum wage per hour

   (NOTE: This rule applies to all businesses which fall under federal minimum wage requirements.)

IV. Classifications of time used in determining work for pay

(NOTE: This is basic information for determining time worked. Company policies are left to the discretion of the firm's management. Consistency becomes the important factor in paying all employees.)

A. Time suffered or permitted to work

(NOTE: Regular wages are paid for the first 40 hours worked in any week; overtime is paid for all hours over 40 worked in a week.)

1. Time spent at work, even if beyond scheduled time
2. Time spent at home on work if management authorized or otherwise knew of home work activities
3. Usually includes short rest breaks 10 to 15 minutes long
4. All training programs if employee is required to attend

B. Time off duty

(NOTE: Pay is not required even if the individual is "on call" or required to carry a "beeper" emergency call device.)

1. Time the employee may use for personal reasons

   EXAMPLES: Vacations, sick leave, time "off the clock"

2. Usually includes lunch periods 30 minutes or longer
3. Usually includes training programs if employee is not required to attend

   EXAMPLES: Attendance is outside regular work hours; activity is not directly related to work; employee is not productive during training time.

INFORMATION SHEET

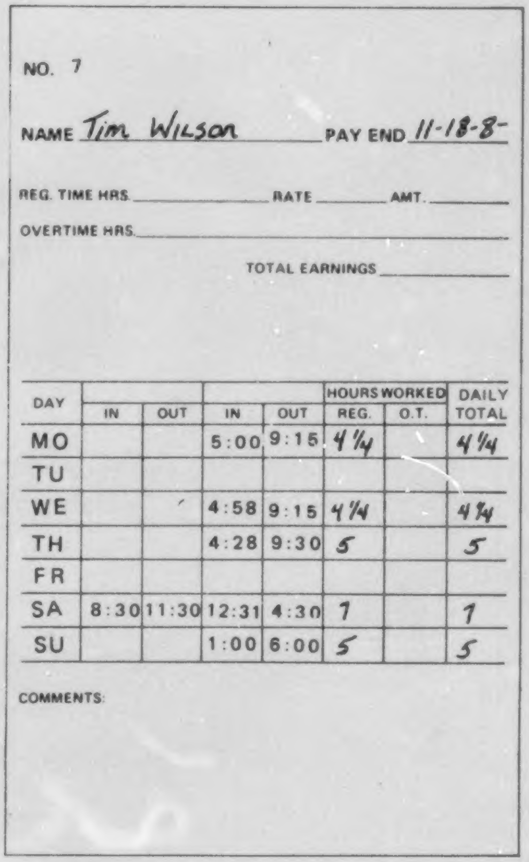
V. Payroll records used in determining time worked

(NOTE: Payroll records must be retained by the company for two years.)

A. Time cards -Most common system used for recording employee work hours

(NOTE: Employees "punch" their own time cards as they report to work, take breaks, return, and leave for the day.)

EXAMPLES: Times are set for recording A.M. and P.M. clock hours. Days of the week begin at the top of the card and record down through the week.



NO. 7

NAME Tim Wilson PAY END 11-18-8-

REG. TIME HRS. ____ RATE ____ AMT. ____

OVERTIME HRS. ____

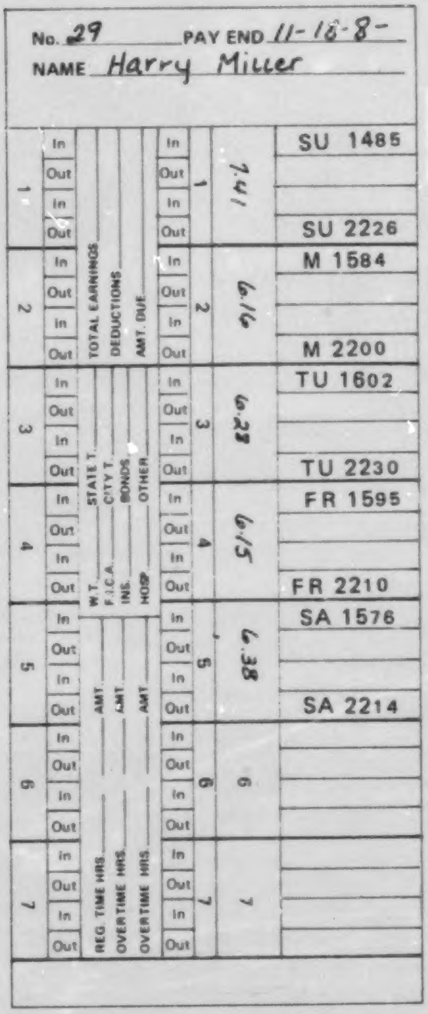
TOTAL EARNINGS ____

DAY					HOURS WORKED		DAILY
	IN	OUT	IN	OUT	REG.	O.T.	TOTAL
MO			5:00	9:15	4¼		4¼
TU							
WE			4:58	9:15	4¼		4¼
TH			4:28	9:30	5		5
FR							
SA	8:30	11:30	12:31	4:30	7		7
SU			1:00	6:00	5		5

COMMENTS:

INFORMATION SHEET

Times are set for recording work on a 24-hour basis. Hours are numbered consecutively from 0100 (1:00 A.M. until 2400 (midnight).



No. 29 PAY END 11-18-8-
NAME Harry Miller

1	In	In	1	7.41	SU 1485
	Out	Out			
	In	In			
	Out	Out			SU 2226
2	In	In	2	6.16	M 1584
	Out	Out			
	In	In			
	Out	Out			M 2200
3	In	In	3	6.28	TU 1602
	Out	Out			
	In	In			
	Out	Out			TU 2230
4	In	In	4	6.15	FR 1595
	Out	Out			
	In	In			
	Out	Out			FR 2210
5	In	In	5	6.38	SA 1576
	Out	Out			
	In	In			
	Out	Out			SA 2214
6	In	In	6	6	
	Out	Out			
	In	In			
	Out	Out			
7	In	In	7	7	
	Out	Out			
	In	In			
	Out	Out			

TOTAL EARNINGS ____
DEDUCTIONS ____
AMT. DUE ____
W.T. ____ STATE T. ____
F.I.C.A. ____ CITY T. ____
INS. ____ BONDS ____
HOSP. ____ OTHER ____
REG. TIME HRS. ____ AMT. ____
OVERTIME HRS. ____ AMT. ____
OVERTIME HRS. ____ AMT. ____

B. Time record--Used in businesses that do not have time card system to record hours as required by the Fair Labor Standards Act

(NOTE: Supervisor signs the time record to verify hours worked and to authorize payment of wages.)

C. Production records--Used by businesses that pay on piece-rate basis and where employees are paid by completion of a job

INFORMATION SHEET

VI. Payroll information required by the Fair Labor Standards Act (Transparency #1)

A. Employee personal data

1. Employee's full legal name
2. Home address
3. Date of birth if a minor child
4. Sex
5. Job description

B. Hourly record of time suffered or permitted to work

1. Day and hour work began and ended
2. Any off-duty periods
3. Total hours worked during pay period

C. Wage or salary information

1. Basis on which compensation is paid

   (NOTE: In Oklahoma, private companies must pay at least twice a month. Government agencies are exempt from this requirement.)

2. Straight-time wages
3. Overtime earnings
   a. Businesses are required to pay one and a half times regular rate of pay for overtime hours
   b. Non-work hours do not have to count toward overtime

      EXAMPLES: Paid holidays, sick days

4. Deductions from gross wages
5. Additions to gross wages
6. Total pay each regular pay period
7. Dates covered in pay period
8. Date(s) employees receive payment

INFORMATION SHEET

VII. Records used to summarize payroll information (Transparencies #2-#4; Assignment Sheet #1)

A. Personnel record card (Transparency #2)

1. Summarizes personal information about each employee
2. Usually printed on card-stock paper
3. Usually kept in either personnel or payroll department

B. Payroll register (Transparency #3)

1. Summarizes pay period information for all employees
2. Provides quick reference check on total payroll expenses for a pay period

C. Employee earning record (Transparency #4)

1. Summarizes payroll information for individual employees during each pay period of the quarter
2. Used as primary reference for writing quarterly and annual reports required under the Fair Labor Standards Act

VIII. Rules for paying employees upon termination

A. If employee is fired, payment in full should be given at time of dismissal

B. If employee quits, payment should be given at next regular payday or within five days of termination, upon demand

IX. Common benefits offered by businesses (Assignment Sheet #2)

(NOTE: For many large businesses, employee benefits run between 35-40 percent of total payroll and are usually made available only to full-time employees.)

A. Group life and/or health insurance programs

B. Paid vacations

C. Paid sick days

D. Pension plans

E. Paid "personal" days and jury duty

INFORMATION SHEET

F. Paid military leave for short duty

(NOTE: This benefit, usually two weeks long, is provided for members of Reserve and National Guard components of the military services.)

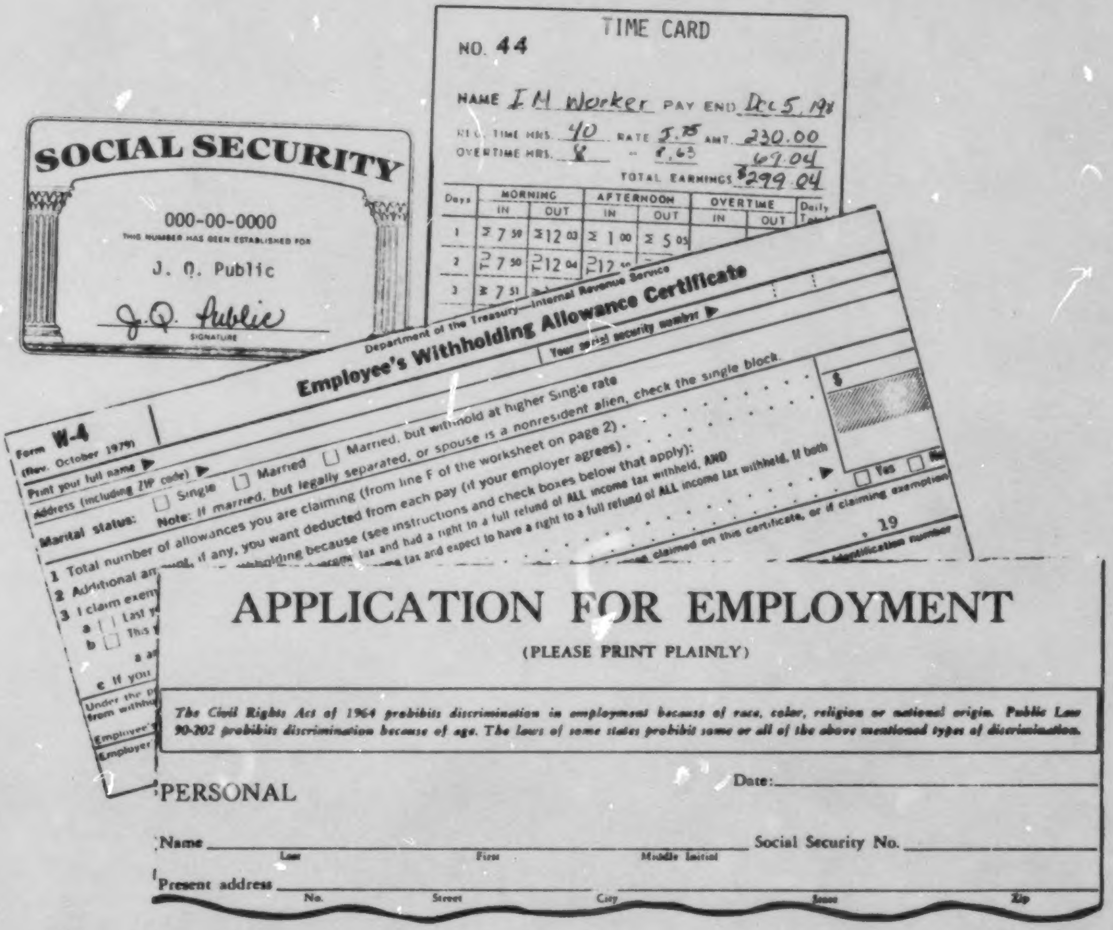
G. Bonuses

H. Incentive pay

EXAMPLES: Offering double time for working on holidays; shift premiums

I. Profit sharing; stock options

Sources of Payroll Information



SOCIAL SECURITY

000-00-0000

THIS NUMBER HAS BEEN ESTABLISHED FOR

J. Q. Public

J.Q. Public

SIGNATURE

TIME CARD

NO. 44

NAME I M Worker PAY END Dec 5, 198

REG. TIME HRS. 40 RATE 5.75 AMT. 230.00

OVERTIME HRS. 8 " 8.63 69.04

TOTAL EARNINGS $299.04

Days	MORNING		AFTERNOON		OVERTIME		Daily
	IN	OUT	IN	OUT	IN	OUT	
1	MO 7 50	MO 12 03	MO 1 00	MO 5 05			
2	TU 7 50	TU 12 04	TU 12				
3	WE 7 51						

Form W-4 (Rev. October 1979)

Department of the Treasury—Internal Revenue Service

Employee's Withholding Allowance Certificate

Print your full name ▶

Your social security number ▶

Address (including ZIP code) ▶

Marital status: ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate

Note: If married, but legally separated, or spouse is a nonresident alien, check the single block.

1 Total number of allowances you are claiming (from line F of the worksheet on page 2) . . . .

2 Additional am... if any, you want deducted from each pay (if your employer agrees) . . . . $

3 I claim exem... withholding because (see instructions and check boxes below that apply):

a ☐ Last y... tax and had a right to a full refund of ALL income tax withheld, AND

b ☐ This y... tax and expect to have a right to a full refund of ALL income tax withheld. If both

a a... ▶ ☐ Yes ☐ No

c If you

Under the p... claimed on this certificate, or if claiming exemption from withh...

, 19

Employer's... identification number

Employer

APPLICATION FOR EMPLOYMENT

(PLEASE PRINT PLAINLY)

The Civil Rights Act of 1964 prohibits discrimination in employment because of race, color, religion or national origin. Public Law 90-202 prohibits discrimination because of age. The laws of some states prohibit some or all of the above mentioned types of discrimination.

PERSONAL

Date:__________

Name __________ Social Security No. __________

Last First Middle Initial

Present address __________

No. Street City State Zip

- Application for Employment
- Social Security Card
- W-4 /Employee's Withholding Allowance Certificate
- Employee's Time Card
- Age Certificate ("Work Permit")

Personnel Record Card

PERSONNEL RECORD

NAME ______________________________

Social Security Number ______________ Date of Birth ______________

Withholding Tax Exemptions: S M Number ______________

In Case of Accident, Notify: ______________________________

Telephone ______________ Relationship to Employee ______________

Address ______________________________

Department ______________ Supervisor ______________

Job Title ______________________________

Date Employed ______________ Regular Rate $ ________ per ________

Clock Number ______________ Overtime Rate $ ________ per ________

___ Union Dues ___ Life Insurance ___ Health Insurance

TM #2

BMO - 221-C

Payroll Register

PAYROLL REGISTER

WEEK ENDING____________________ DATE PAID____________________

NO.	EMPLOYEE'S NAME		W-4	RATE	HOURS WORKED			GROSS WAGES			DEDUCTIONS					TOTAL DEDUCTIONS	NET PAY	CK. NO.
	LAST,	FIRST	ALLOW	/HR.	REG.	O.T.	TOT.	REGULAR	OVERTIME	TOTAL	FED TAX	STATE TAX	FICA TAX	INSURANCE	OTHER			
	TOTALS																	

TM #3

BMO - 223-C

Employee's Earnings Record

EMPLOYEE'S EARNINGS RECORD

CLOCK NUMBER ______ YEAR ______ QUARTER: 1 2 3 4

EMPLOYEE'S NAME ______ RATE ______

SOCIAL SECURITY NUMBER ______ NUMBER OF EXEMPTIONS ______

PAY PERIOD ENDING DATE	GROSS WAGES			DEDUCTIONS						NET PAY AMOUNT	ACCUMULATED TAXABLE EARNINGS
	REGULAR	OVERTIME	TOTAL	FED TAX	ST TAX	FICA TAX	GROUP INS	OTHER	TOTAL		
TOTALS QUARTER											
TOTALS YEAR-TO-DATE											

TM #4

BMO - 225-C

COMPENSATING EMPLOYEES
UNIT V

ASSIGNMENT SHEET #1--COMPLETE PAYROLL FORMS

NAME ______________________________ SCORE ______________

Gross wages are calculated as a base for determining net pay. Once gross pay is calculated, the payroll clerk determines net pay based on a series of payroll forms and deduction charts. Examples include Form W-4/Employee's Withholding Allowance Certificate; FICA/Social Security Employee Tax Table; Wage-Bracket Table for Withholding Income Tax; State Income Tax Withholding Tables; miscellaneous payroll deduction forms for insurance, union dues, savings bonds, and others as authorized by the employee. Gross pay, then, is the actual amount earned by the employee; net pay is the amount the employee takes home after deductions are withheld.

FORMULAS: Gross wages = straight-time wages + overtime earnings

Straight-time wages = regular hourly rate x number of straight-time hours worked

Overtime earnings = regular hourly rate x 1 1/2 x number of overtime hours worked

Net pay = gross wages - authorized deductions

In this assignment you are given five employee time cards, payroll forms, and deduction charts. Assume that you are in charge of payroll for a small retail store, and complete the appropriate payroll forms.

PART I--Complete employee time cards

A. Calculate regular and overtime hours worked

B. Record daily totals

C. Calculate straight-time and overtime wages

D. Calculate total earnings

228-C

ASSIGNMENT SHEET #1

NO. 01

NAME Leslie Gerome PAY END Dec. 18, 198-

REG. TIME HRS. ______ RATE $3.75 AMT. ______

OVERTIME HRS. ______

TOTAL EARNINGS ______

DAY					HOURS	WORKED	DAILY TOTAL
	IN	OUT	IN	OUT	REG.	O.T.	
MO			5:00	9:15			
TU							
WE			4:58	9:15			
TH			4:28	9:30			
FR							
SA	8:30	11:30	12:31	4:30			
SU			1:00	6:00			

COMMENTS:

(NOTE: Leslie is a single employee and claims zero allowances on her W-4.)

ASSIGNMENT SHEET #1

NO. 02

NAME Lee Harvey PAY END Dec. 18. 198-

REG. TIME HRS. ______ RATE $5.60 AMT. ______

OVERTIME HRS. ______

TOTAL EARNINGS ______

DAY					HOURS WORKED		DAILY
	IN	OUT	IN	OUT	REG.	O.T.	TOTAL
MO	8:00	11:31	12:30	4:59			
TU	7:59	11:59	1:00	5:02			
WE	7:57	12:00	12:59	5:13			
TH	8:02	11:30	12:30	5:00			
FR	8:00	11:29	12:30	4:58			
SA							
SU							

COMMENTS:

(NOTE: Lee is a married employee and claims two allowances on his W-4.)

ASSIGNMENT SHEET #1

NO. 03

NAME David Anderson PAY END Dec. 18.198-

REG. TIME HRS. ______ RATE $5.86 AMT. ______

OVERTIME HRS. ______

TOTAL EARNINGS ______

DAY					HOURS WORKED		DAILY TOTAL
	IN	OUT	IN	OUT	REG.	O.T.	
MO	7:30	11:30	12:29	5:00			
TU							
WE	9:00	1:02	2:00	6:03			
TH	8:58	1:00	2:00	6:00			
FR	9:00	1:30	2:30	7:05			
SA							
SU			12:30	6:30			

COMMENTS:

I need January 2-8 off work for vacation

David Anderson

(NOTE: David is a married employee and claims zero allowances on his W-4.)

BMO - 231-C

ASSIGNMENT SHEET #1

NO. 04

NAME Lynn Thomas PAY END Dec. 18,198-

REG. TIME HRS. ______ RATE $4.24 AMT. ______

OVERTIME HRS. ______

TOTAL EARNINGS ______

DAY					HOURS WORKED		DAILY TOTAL
	IN	OUT	IN	OUT	REG.	O.T.	
MO	11:28			4:30			
TU	8:58	12:30	1:29	5:30			
WE							
TH			6:00	9:15			
FR	11:30	2:00	2:58	9:00			
SA	8:00	12:15	1:14	6:00			
SU							

COMMENTS:

(NOTE: Lynn is a single employee and claims one allowance on her W-4.)

ASSIGNMENT SHEET #1

NO. 05

NAME Ira Wells PAY END Dec. 18, 198-

REG. TIME HRS. ______ RATE $4.50 AMT. ______

OVERTIME HRS. ______

TOTAL EARNINGS ______

DAY	IN	OUT	IN	OUT	HOURS WORKED REG.	HOURS WORKED O.T.	DAILY TOTAL
MO							
TU	2:00	4:29	5:00	9:02			
WE	11:30	4:01	4:58	9:00			
TH	9:59	2:02	3:01	7:00			
FR			4:00	9:15			
SA			4:00	9:15			
SU			12:30	6:30			

COMMENTS:

(NOTE: Ira is a married employee and claims one allowance on his W-4.)

ASSIGNMENT SHEET #1

PART II--Complete a payroll register

A. Use time cards to complete the following columns: Number, Employee's Name, Hours Worked, Gross Wages

B. Use appropriate chart(s) to complete the Deductions and Total Deductions columns

C. Calculate net pay

(NOTE: The Check Number column is used to record the number of the check which is given to the employee for compensation. It is not used in this assignment sheet.)

ASSIGNMENT SHEET #1

PAYROLL REGISTER

WEEK ENDING____________________ DATE PAID____________________

NO.	EMPLOYEE'S NAME		W-4	RATE	HOURS WORKED			GROSS WAGES			DEDUCTIONS					TOTAL DEDUCTIONS	NET PAY	CK. NO.
	LAST.	FIRST	ALLOW	/HR.	REG.	O.T.	TOT.	REGULAR	OVERTIME	TOTAL	FED TAX	STATE TAX	FICA TAX	INSURANCE	OTHER			
	TOTALS																	

ASSIGNMENT SHEET #1

FEDERAL INCOME TAX
WITHHOLDING TABLE--PART I

SINGLE Persons — **WEEKLY** Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$0	$28	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
28	29	.20	0	0	0	0	0	0	0	0	0	0
29	30	.30	0	0	0	0	0	0	0	0	0	0
30	31	.40	0	0	0	0	0	0	0	0	0	0
31	32	.60	0	0	0	0	0	0	0	0	0	0
32	33	.70	0	0	0	0	0	0	0	0	0	0
33	34	.90	0	0	0	0	0	0	0	0	0	0
34	35	1.00	0	0	0	0	0	0	0	0	0	0
35	36	1.10	0	0	0	0	0	0	0	0	0	0
36	37	1.30	0	0	0	0	0	0	0	0	0	0
37	38	1.40	0	0	0	0	0	0	0	0	0	0
38	39	1.60	0	0	0	0	0	0	0	0	0	0
39	40	1.70	0	0	0	0	0	0	0	0	0	0
40	41	1.80	0	0	0	0	0	0	0	0	0	0
41	42	2.00	0	0	0	0	0	0	0	0	0	0
42	43	2.10	0	0	0	0	0	0	0	0	0	0
43	44	2.30	0	0	0	0	0	0	0	0	0	0
44	45	2.40	0	0	0	0	0	0	0	0	0	0
45	46	2.50	0	0	0	0	0	0	0	0	0	0
46	47	2.70	0	0	0	0	0	0	0	0	0	0
47	48	2.80	.10	0	0	0	0	0	0	0	0	0
48	49	3.00	.30	0	0	0	0	0	0	0	0	0
49	50	3.10	.40	0	0	0	0	0	0	0	0	0
50	51	3.20	.60	0	0	0	0	0	0	0	0	0
51	52	3.40	.70	0	0	0	0	0	0	0	0	0
52	53	3.50	.80	0	0	0	0	0	0	0	0	0
53	54	3.70	1.00	0	0	0	0	0	0	0	0	0
54	55	3.80	1.10	0	0	0	0	0	0	0	0	0
55	56	3.90	1.30	0	0	0	0	0	0	0	0	0
56	57	4.10	1.40	0	0	0	0	0	0	0	0	0
57	58	4.20	1.50	0	0	0	0	0	0	0	0	0
58	59	4.40	1.70	0	0	0	0	0	0	0	0	0
59	60	4.50	1.80	0	0	0	0	0	0	0	0	0
60	62	4.70	2.00	0	0	0	0	0	0	0	0	0
62	64	5.00	2.30	0	0	0	0	0	0	0	0	0
64	66	5.30	2.60	0	0	0	0	0	0	0	0	0
66	68	5.60	2.90	.20	0	0	0	0	0	0	0	0
68	70	5.80	3.10	.50	0	0	0	0	0	0	0	0
70	72	6.10	3.40	.70	0	0	0	0	0	0	0	0
72	74	6.40	3.70	1.00	0	0	0	0	0	0	0	0
74	76	6.70	4.00	1.30	0	0	0	0	0	0	0	0
76	78	7.00	4.30	1.60	0	0	0	0	0	0	0	0
78	80	7.30	4.50	1.90	0	0	0	0	0	0	0	0
80	82	7.60	4.80	2.10	0	0	0	0	0	0	0	0
82	84	8.00	5.10	2.40	0	0	0	0	0	0	0	0
84	86	8.30	5.40	2.70	0	0	0	0	0	0	0	0
86	88	8.60	5.70	3.00	.30	0	0	0	0	0	0	0
88	90	8.90	5.90	3.30	.60	0	0	0	0	0	0	0
90	92	9.20	6.20	3.50	.80	0	0	0	0	0	0	0
92	94	9.60	6.50	3.80	1.10	0	0	0	0	0	0	0
94	96	9.90	6.80	4.10	1.40	0	0	0	0	0	0	0
96	98	10.20	7.10	4.40	1.70	0	0	0	0	0	0	0
98	100	10.50	7.40	4.70	2.00	0	0	0	0	0	0	0
100	105	11.10	8.00	5.10	2.50	0	0	0	0	0	0	0
105	110	12.10	8.80	5.80	3.20	.50	0	0	0	0	0	0
110	115	13.00	9.60	6.50	3.90	1.20	0	0	0	0	0	0
115	120	14.00	10.40	7.30	4.60	1.90	0	0	0	0	0	0
120	125	14.90	11.30	8.10	5.30	2.60	0	0	0	0	0	0
125	130	15.90	12.20	8.90	6.00	3.30	.60	0	0	0	0	0
130	135	16.80	13.20	9.70	6.70	4.00	1.30	0	0	0	0	0

(Continued on next page)

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ASSIGNMENT SHEET #1

SINGLE Persons—WEEKLY Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$135	$140	$17.80	$14.10	$10.50	$7.40	$4.70	$2.00	$0	$0	$0	$0	$0
140	145	18.70	15.10	11.40	8.20	5.40	2.70	0	0	0	0	0
145	150	19.70	16.00	12.40	9.00	6.10	3.40	.70	0	0	0	0
150	160	21.10	17.50	13.80	10.20	7.20	4.40	1.70	0	0	0	0
160	170	23.00	19.40	15.70	12.10	8.80	5.80	3.10	.40	0	0	0
170	180	24.90	21.30	17.60	14.00	10.40	7.30	4.50	1.80	0	0	0
180	190	27.00	23.20	19.50	15.90	12.20	8.90	5.90	3.20	.50	0	0
190	200	29.40	25.10	21.40	17.80	14.10	10.50	7.40	4.60	1.90	0	0
200	210	31.80	27.20	23.30	19.70	16.00	12.40	9.00	6.00	3.30	.60	0
210	220	34.20	29.60	25.20	21.60	17.90	14.30	10.60	7.50	4.70	2.00	0
220	230	36.60	32.00	27.40	23.50	19.80	16.20	12.50	9.10	6.10	3.40	.80
230	240	39.00	34.40	29.80	25.40	21.70	18.10	14.40	10.70	7.70	4.80	2.20
240	250	41.40	36.80	32.20	27.60	23.60	20.00	16.30	12.60	9.30	6.20	3.60
250	260	43.80	39.20	34.60	30.00	25.50	21.90	18.20	14.50	10.90	7.60	5.00
260	270	46.20	41.60	37.00	32.40	27.80	23.80	20.10	16.40	12.80	9.40	6.40
270	280	48.90	44.00	39.40	34.80	30.20	25.70	22.00	18.30	14.70	11.00	7.90
280	290	51.90	46.40	41.80	37.20	32.60	28.00	23.90	20.20	16.60	12.90	9.50
290	300	54.70	49.10	44.20	39.60	35.00	30.40	25.80	22.10	18.50	14.80	11.20
300	310	57.60	52.00	46.60	42.00	37.40	32.80	28.10	24.00	20.40	16.70	13.10
310	320	60.50	54.90	49.40	44.40	39.80	35.20	30.50	25.90	22.30	18.60	15.00
320	330	63.40	57.80	52.30	46.80	42.20	37.60	32.90	28.30	24.20	20.50	16.90
330	340	66.50	60.70	55.20	49.60	44.60	40.00	35.30	30.70	26.10	22.40	18.80
340	350	69.70	63.60	58.10	52.50	47.00	42.40	37.70	33.10	28.50	24.30	20.70
350	360	72.90	66.70	61.00	55.40	49.80	44.80	40.10	35.50	30.90	26.30	22.60
360	370	76.10	69.90	63.90	58.30	52.70	47.20	42.50	37.90	33.30	28.70	24.50
370	380	79.30	73.10	66.90	61.20	55.60	50.00	44.90	40.30	35.70	31.10	26.50
380	390	82.50	76.30	70.10	64.10	58.50	52.90	47.40	42.70	38.10	33.50	28.90
390	400	85.70	79.50	73.30	67.20	61.40	55.80	50.30	45.10	40.50	35.90	31.30
400	410	88.90	82.70	76.50	70.40	64.30	58.70	53.20	47.60	42.90	38.30	33.70
410	420	92.10	85.90	79.70	73.60	67.40	61.60	56.10	50.50	45.30	40.70	36.10
420	430	95.30	89.10	82.90	76.80	70.60	64.50	59.00	53.40	47.80	43.10	38.50
430	440	98.60	92.30	86.10	80.00	73.80	67.70	61.90	56.30	50.70	45.50	40.90
440	450	102.30	95.50	89.30	83.20	77.00	70.90	64.80	59.20	53.60	48.00	43.30
450	460	106.00	98.90	92.50	86.40	80.20	74.10	67.90	62.10	56.50	50.90	45.70
460	470	109.70	102.60	95.70	89.60	83.40	77.30	71.10	65.00	59.40	53.80	48.30
470	480	113.40	106.30	99.10	92.80	86.60	80.50	74.30	68.20	62.30	56.70	51.20
480	490	117.10	110.00	102.80	96.00	89.80	83.70	77.50	71.40	65.20	59.60	54.10
490	500	120.80	113.70	106.50	99.40	93.00	86.90	80.70	74.60	68.40	62.50	57.00
500	510	124.50	117.40	110.20	103.10	96.20	90.10	83.90	77.80	71.60	65.50	59.90
510	520	128.20	121.10	113.90	106.80	99.70	93.30	87.10	81.00	74.80	68.70	62.80
520	530	131.90	124.80	117.60	110.50	103.40	96.50	90.30	84.20	78.00	71.90	65.70
530	540	135.60	128.50	121.30	114.20	107.10	100.00	93.50	87.40	81.20	75.10	68.90
540	550	139.30	132.20	125.00	117.90	110.80	103.70	96.70	90.60	84.40	78.30	72.10
550	560	143.00	135.90	128.70	121.60	114.50	107.40	100.30	93.80	87.60	81.50	75.30
560	570	146.70	139.60	132.40	125.30	118.20	111.10	104.00	97.00	90.80	84.70	78.50
570	580	150.40	143.30	136.10	129.00	121.90	114.80	107.70	100.60	94.00	87.90	81.70
580	590	154.10	147.00	139.80	132.70	125.60	118.50	111.40	104.30	97.20	91.10	84.90
590	600	157.80	150.70	143.50	136.40	129.30	122.20	115.10	108.00	100.80	94.30	88.10
600	610	161.50	154.40	147.20	140.10	133.00	125.90	118.80	111.70	104.50	97.50	91.30
610	620	165.20	158.10	150.90	143.80	136.70	129.60	122.50	115.40	108.20	101.10	94.50
620	630	168.90	161.80	154.60	147.50	140.40	133.30	126.20	119.10	111.90	104.80	97.70
630	640	172.60	165.50	158.30	151.20	144.10	137.00	129.90	122.80	115.60	108.50	101.40
640	650	176.30	169.20	162.00	154.90	147.80	140.70	133.60	126.50	119.30	112.20	105.10
650	660	180.00	172.90	165.70	158.60	151.50	144.40	137.30	130.20	[illegible]	115.90	108.80
660	670	183.70	176.60	169.40	162.30	155.20	148.10	141.00	133.90	[illegible]	119.80	112.50
		37 percent of the excess over $670 plus—										
$670 and over		185.50	178.40	171.30	164.20	157.10	149.90	142.80	135.70	128.60	121.50	114.40

ASSIGNMENT SHEET #1

FEDERAL INCOME TAX
WITHHOLDING TABLE--PART II

MARRIED Persons—**WEEKLY** Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$0	$47	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
47	48	.20	0	0	0	0	0	0	0	0	0	0
48	49	.30	0	0	0	0	0	0	0	0	0	0
49	50	.50	0	0	0	0	0	0	0	0	0	0
50	51	.60	0	0	0	0	0	0	0	0	0	0
51	52	.70	0	0	0	0	0	0	0	0	0	0
52	53	.90	0	0	0	0	0	0	0	0	0	0
53	54	1.00	0	0	0	0	0	0	0	0	0	0
54	55	1.20	0	0	0	0	0	0	0	0	0	0
55	56	1.30	0	0	0	0	0	0	0	0	0	0
56	57	1.40	0	0	0	0	0	0	0	0	0	0
57	58	1.60	0	0	0	0	0	0	0	0	0	0
58	59	1.70	0	0	0	0	0	0	0	0	0	0
59	60	1.90	0	0	0	0	0	0	0	0	0	0
60	62	2.10	0	0	0	0	0	0	0	0	0	0
62	64	2.40	0	0	0	0	0	0	0	0	0	0
64	66	2.60	0	0	0	0	0	0	0	0	0	0
66	68	2.90	.20	0	0	0	0	0	0	0	0	0
68	70	3.20	.50	0	0	0	0	0	0	0	0	0
70	72	3.50	.80	0	0	0	0	0	0	0	0	0
72	74	3.80	1.10	0	0	0	0	0	0	0	0	0
74	76	4.00	1.30	0	0	0	0	0	0	0	0	0
76	78	4.30	1.60	0	0	0	0	0	0	0	0	0
78	80	4.60	1.90	0	0	0	0	0	0	0	0	0
80	82	4.90	2.20	0	0	0	0	0	0	0	0	0
82	84	5.20	2.50	0	0	0	0	0	0	0	0	0
84	86	5.40	2.70	.10	0	0	0	0	0	0	0	0
86	88	5.70	3.00	.30	0	0	0	0	0	0	0	0
88	90	6.00	3.30	.60	0	0	0	0	0	0	0	0
90	92	6.30	3.60	.90	0	0	0	0	0	0	0	0
92	94	6.60	3.90	1.20	0	0	0	0	0	0	0	0
94	96	6.80	4.10	1.50	0	0	0	0	0	0	0	0
96	98	7.10	4.40	1.70	0	0	0	0	0	0	0	0
98	100	7.40	4.70	2.00	0	0	0	0	0	0	0	0
100	105	7.90	5.20	2.50	0	0	0	0	0	0	0	0
105	110	8.60	5.90	3.20	.50	0	0	0	0	0	0	0
110	115	9.30	6.60	3.90	1.20	0	0	0	0	0	0	0
115	120	10.00	7.30	4.60	1.90	0	0	0	0	0	0	0
120	125	10.70	8.00	5.30	2.60	0	0	0	0	0	0	0
125	130	11.40	8.70	6.00	3.30	.60	0	0	0	0	0	0
130	135	12.10	9.40	6.70	4.00	1.30	0	0	0	0	0	0
135	140	12.80	10.10	7.40	4.70	2.00	0	0	0	0	0	0
140	145	13.50	10.80	8.10	5.40	2.70	0	0	0	0	0	0
145	150	14.20	11.50	8.80	6.10	3.40	.70	0	0	0	0	0
150	160	15.40	12.50	9.90	7.20	4.50	1.80	0	0	0	0	0
160	170	17.00	13.90	11.30	8.60	5.90	3.20	.50	0	0	0	0
170	180	18.60	15.50	12.70	10.00	7.30	4.60	1.90	0	0	0	0
180	190	20.20	17.10	14.10	11.40	8.70	6.00	3.30	.60	0	0	0
190	200	21.80	18.70	15.60	12.80	10.10	7.40	4.70	2.00	0	0	0
200	210	23.40	20.30	17.20	14.20	11.50	8.80	6.10	3.40	.70	0	0
210	220	25.20	21.90	18.80	15.80	12.90	10.20	7.50	4.80	2.10	0	0
220	230	27.20	23.50	20.40	17.40	14.30	11.60	8.90	6.20	3.50	.80	0
230	240	29.20	25.40	22.00	19.00	15.90	13.00	10.30	7.60	4.90	2.20	0
240	250	31.20	27.40	23.80	20.60	17.50	14.40	11.70	9.00	6.30	3.60	.90
250	260	33.20	29.40	25.50	22.20	19.10	16.00	13.10	10.40	7.70	5.00	2.30
260	270	35.20	31.40	27.50	23.80	20.70	17.60	14.50	11.80	9.10	6.40	3.70
270	280	37.20	33.40	29.50	25.70	22.30	19.20	16.10	13.20	10.50	7.80	5.10
280	290	39.20	35.40	31.50	27.70	23.90	20.80	17.70	14.70	11.90	9.20	6.50
290	300	41.20	37.40	33.50	29.70	25.80	22.40	19.30	16.30	13.30	10.60	7.90
300	310	43.70	39.40	35.50	31.70	27.80	24.00	20.90	17.90	14.80	12.00	9.30

(Continued on next page)

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ASSIGNMENT SHEET # 1

MARRIED Persons—**WEEKLY** Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$310	$320	$46.20	$41.40	$37.50	$33.70	$29.80	$26.00	$22.50	$19.50	$16.40	$13.40	$10.70
320	330	48.70	43.80	39.50	35.70	31.80	28.00	24.10	21.10	18.00	14.90	12.10
330	340	51.20	46.30	41.50	37.70	33.80	30.00	26.10	22.70	19.60	16.50	13.50
340	350	53.70	48.80	44.00	39.70	35.80	32.00	28.10	24.30	21.20	18.10	15.00
350	360	56.20	51.30	46.50	41.70	37.80	34.00	30.10	26.30	22.80	19.70	16.60
360	370	58.70	53.80	49.00	44.20	39.80	36.00	32.10	28.30	24.40	21.30	18.20
370	380	61.20	56.30	51.50	46.70	41.90	38.00	34.10	30.30	26.40	22.90	19.80
380	390	63.70	58.80	54.00	49.20	44.40	40.00	36.10	32.30	28.40	24.60	21.40
390	400	66.20	61.30	56.50	51.70	46.90	42.10	38.10	34.30	30.40	26.60	23.00
400	410	68.70	63.80	59.00	54.20	49.40	44.60	40.10	36.30	32.40	28.60	24.60
410	420	71.20	66.30	61.50	56.70	51.90	47.10	42.30	38.30	34.40	30.60	26.60
420	430	73.70	68.80	64.00	59.20	54.40	49.60	44.80	40.30	36.40	32.60	28.60
430	440	76.20	71.30	66.50	61.70	56.90	52.10	47.30	42.50	38.40	34.60	30.60
440	450	78.70	73.80	69.00	64.20	59.40	54.60	49.80	45.00	40.40	36.60	32.60
450	460	81.60	76.30	71.50	66.70	61.90	57.10	52.30	47.50	42.70	38.60	34.60
460	470	84.70	78.80	74.00	69.20	64.40	59.60	54.80	50.00	45.20	40.60	36.60
470	480	87.80	81.90	76.50	71.70	66.90	62.10	57.30	52.50	47.70	42.90	38.60
480	490	90.90	85.00	79.00	74.20	69.40	64.60	59.80	55.00	50.20	45.40	40.60
490	500	94.00	88.10	82.10	76.70	71.90	67.10	62.30	57.50	52.70	47.90	43.10
500	510	97.10	91.20	85.20	79.20	74.40	69.60	64.80	60.00	55.20	50.40	45.60
510	520	100.20	94.30	88.30	82.30	76.90	72.10	67.30	62.50	57.70	52.90	48.10
520	530	103.30	97.40	91.40	85.40	79.50	74.60	69.80	65.00	60.20	55.40	50.60
530	540	106.40	100.50	94.50	88.50	82.60	77.10	72.30	67.50	62.70	57.90	53.10
540	550	109.50	103.60	97.60	91.60	85.70	79.70	74.80	70.00	65.20	60.40	55.60
550	560	112.60	106.70	100.70	94.70	88.80	82.80	77.30	72.50	67.70	62.90	58.10
560	570	116.00	109.80	103.80	97.80	91.90	85.90	80.00	75.00	70.20	65.40	60.60
570	580	119.40	112.90	106.90	100.90	95.00	89.00	83.10	77.50	72.70	67.90	63.10
580	590	122.80	116.30	110.00	104.00	98.10	92.10	86.20	80.20	75.20	70.40	65.60
590	600	126.20	119.70	113.10	107.10	101.20	95.20	89.30	83.30	77.70	72.90	68.10
600	610	129.60	123.10	116.50	110.20	104.30	98.30	92.40	86.40	80.40	75.40	70.60
610	620	133.00	126.50	119.90	113.40	107.40	101.40	95.50	89.50	83.50	77.90	73.10
620	630	136.40	129.90	123.30	116.80	110.50	104.50	98.60	92.60	86.60	80.70	75.60
630	640	139.80	133.30	126.70	120.20	113.70	107.60	101.70	95.70	89.70	83.80	78.10
640	650	143.20	136.70	130.10	123.60	117.10	110.70	104.80	98.80	92.80	86.90	80.90
650	660	146.60	140.10	133.50	127.00	120.50	113.90	107.90	101.90	95.90	90.00	84.00
660	670	150.20	143.50	136.90	130.40	123.90	117.30	111.00	105.00	99.00	93.10	87.10
670	680	153.90	146.90	140.30	133.80	127.30	120.70	114.20	108.10	102.10	96.20	90.20
680	690	157.60	150.50	143.70	137.20	130.70	124.10	117.60	111.20	105.20	99.30	93.30
690	700	161.30	154.20	147.10	140.60	134.10	127.50	121.00	114.40	108.30	102.40	96.40
700	710	165.00	157.90	150.80	144.00	137.50	130.90	124.40	117.80	111.40	105.50	99.50
710	720	168.70	161.60	154.50	147.40	140.90	134.30	127.80	121.20	114.70	108.60	102.60
720	730	172.40	165.30	158.20	151.10	144.30	137.70	131.20	124.60	118.10	111.70	105.70
730	740	176.10	169.00	161.90	154.80	147.70	141.10	134.60	128.00	121.50	115.00	108.80
740	750	179.80	172.70	165.60	158.50	151.40	144.50	138.00	131.40	124.90	118.40	111.90
750	760	183.50	176.40	169.30	162.20	155.10	147.90	141.40	134.80	128.30	121.80	115.20
760	770	187.20	180.10	173.00	165.90	158.80	151.60	144.80	138.20	131.70	125.20	118.60
770	780	190.90	183.80	176.70	169.60	162.50	155.30	148.20	141.60	135.10	128.60	122.00
780	790	194.60	187.50	180.40	173.30	166.20	159.00	151.90	145.00	138.50	132.00	125.40
790	800	198.30	191.20	184.10	177.00	169.90	162.70	155.60	148.50	141.90	135.40	128.80
800	810	202.00	194.90	187.80	180.70	173.60	166.40	159.30	152.20	145.30	138.80	132.20
810	820	205.70	198.60	191.50	184.40	177.30	170.10	163.00	155.90	148.80	142.20	135.60
820	830	209.40	202.30	195.20	188.10	181.00	173.80	166.70	159.60	152.50	145.60	139.00
830	840	213.10	206.00	198.90	191.80	184.70	177.50	170.40	163.30	156.20	149.10	142.40
840	850	216.80	209[illegible]	202.60	195.50	188.40	181.20	174.10	167.00	159.90	152.80	145.80
850	860	220.50	213.40	206.30	199.20	192.10	184.90	177.80	170.70	163.60	156.50	149.40
		37 percent of the excess over $860 plus—										
$860 and over		222.40	215.30	208.10	201.00	193.90	186.80	179.70	172.60	165.50	158.30	151.20

ASSIGNMENT SHEET #1

SINGLE Persons — BIWEEKLY Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$0	$54	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
54	56	.10	0	0	0	0	0	0	0	0	0	0
56	58	.30	0	0	0	0	0	0	0	0	0	0
58	60	.60	0	0	0	0	0	0	0	0	0	0
60	62	.90	0	0	0	0	0	0	0	0	0	0
62	64	1.20	0	0	0	0	0	0	0	0	0	0
64	66	1.50	0	0	0	0	0	0	0	0	0	0
66	68	1.70	0	0	0	0	0	0	0	0	0	0
68	70	2.00	0	0	0	0	0	0	0	0	0	0
70	72	2.30	0	0	0	0	0	0	0	0	0	0
72	74	2.60	0	0	0	0	0	0	0	0	0	0
74	76	2.90	0	0	0	0	0	0	0	0	0	0
76	78	3.10	0	0	0	0	0	0	0	0	0	0
78	80	3.40	0	0	0	0	0	0	0	0	0	0
80	82	3.70	0	0	0	0	0	0	0	0	0	0
82	84	4.00	0	0	0	0	0	0	0	0	0	0
84	86	4.30	0	0	0	0	0	0	0	0	0	0
86	88	4.50	0	0	0	0	0	0	0	0	0	0
88	90	4.80	0	0	0	0	0	0	0	0	0	0
90	92	5.10	0	0	0	0	0	0	0	0	0	0
92	94	5.40	0	0	0	0	0	0	0	0	0	0
94	96	5.70	.30	0	0	0	0	0	0	0	0	0
96	98	5.90	.50	0	0	0	0	0	0	0	0	0
98	100	6.20	.80	0	0	0	0	0	0	0	0	0
100	102	6.50	1.10	0	0	0	0	0	0	0	0	0
102	104	6.80	1.40	0	0	0	0	0	0	0	0	0
104	106	7.10	1.70	0	0	0	0	0	0	0	0	0
106	108	7.30	1.90	0	0	0	0	0	0	0	0	0
108	110	7.60	2.20	0	0	0	0	0	0	0	0	0
110	112	7.90	2.50	0	0	0	0	0	0	0	0	0
112	114	8.20	2.80	0	0	0	0	0	0	0	0	0
114	116	8.50	3.10	0	0	0	0	0	0	0	0	0
116	118	8.70	3.30	0	0	0	0	0	0	0	0	0
118	120	9.00	3.60	0	0	0	0	0	0	0	0	0
120	124	9.40	4.00	0	0	0	0	0	0	0	0	0
124	128	10.00	4.60	0	0	0	0	0	0	0	0	0
128	132	10.60	5.20	0	0	0	0	0	0	0	0	0
132	136	11.10	5.70	.30	0	0	0	0	0	0	0	0
136	140	11.70	6.30	.90	0	0	0	0	0	0	0	0
140	144	12.20	6.80	1.50	0	0	0	0	0	0	0	0
144	148	12.80	7.40	2.00	0	0	0	0	0	0	0	0
148	152	13.40	8.00	2.60	0	0	0	0	0	0	0	0
152	156	14.00	8.50	3.10	0	0	0	0	0	0	0	0
156	160	14.60	9.10	3.70	0	0	0	0	0	0	0	0
160	164	15.30	9.80	4.30	0	0	0	0	0	0	0	0
164	168	15.90	10.20	4.80	0	0	0	0	0	0	0	0
168	172	16.50	10.80	5.40	0	0	0	0	0	0	0	0
172	176	17.20	11.30	5.90	.60	0	0	0	0	0	0	0
176	180	17.80	11.90	6.50	1.10	0	0	0	0	0	0	0
180	184	18.50	12.40	7.10	1.70	0	0	0	0	0	0	0
184	188	19.10	13.00	7.60	2.20	0	0	0	0	0	0	0
188	192	19.70	13.60	8.20	2.80	0	0	0	0	0	0	0
192	196	20.40	14.20	8.70	3.40	0	0	0	0	0	0	0
196	200	21.00	14.90	9.30	3.90	0	0	0	0	0	0	0
200	210	22.30	16.00	10.30	4.90	0	0	0	0	0	0	0
210	220	24.20	17.60	11.70	6.30	.90	0	0	0	0	0	0
220	230	26.10	19.20	13.10	7.70	2.30	0	0	0	0	0	0
230	240	28.00	20.80	14.60	9.10	3.70	0	0	0	0	0	0
240	250	29.90	22.60	16.20	10.50	5.10	0	0	0	0	0	0
250	260	31.80	24.50	17.80	11.90	6.50	1.10	0	0	0	0	0

(Continued on next page)

ASSIGNMENT SHEET #1

SINGLE Persons—BIWEEKLY Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$260	$270	$33.70	$26.40	$19.40	$13.30	$7.90	$2.50	$0	$0	$0	$0	$0
270	280	35.60	28.30	21.00	14.90	9.30	3.90	0	0	0	0	0
280	290	37.50	30.20	22.90	16.50	10.70	5.30	0	0	0	0	0
290	300	39.40	32.10	24.80	18.10	12.10	6.70	1.30	0	0	0	0
300	320	42.20	34.90	27.60	20.50	14.30	8.80	3.40	0	0	0	0
320	340	46.00	38.70	31.40	24.10	17.50	11.60	6.20	.90	0	0	0
340	360	49.80	42.50	35.20	27.90	20.70	14.60	9.00	3.70	0	0	0
360	380	54.10	46.30	39.00	31.70	24.40	17.80	11.80	6.50	1.10	0	0
380	400	58.90	50.10	42.80	35.50	28.20	21.00	14.80	9.30	3.90	0	0
400	420	63.70	54.40	46.60	39.30	32.00	24.70	18.00	12.10	6.70	1.30	0
420	440	68.50	59.20	50.40	43.10	35.80	28.50	21.20	15.10	9.50	4.10	0
440	460	73.30	64.00	54.80	46.90	39.60	32.30	25.00	18.30	12.30	6.90	1.50
460	480	78.10	68.80	59.60	50.70	43.40	36.10	28.80	21.50	15.30	9.70	4.30
480	500	82.90	73.60	64.40	55.20	47.20	39.90	32.60	25.30	18.50	12.50	7.10
500	520	87.70	78.40	69.20	60.00	51.00	43.70	36.40	29.10	21.80	15.60	9.90
520	540	92.50	83.20	74.00	64.80	55.50	47.50	40.20	32.90	25.60	18.80	12.70
540	560	97.80	88.00	78.80	69.60	60.30	51.30	44.00	36.70	29.40	22.10	15.80
560	580	103.60	92.80	83.60	74.40	65.10	55.90	47.80	40.50	33.20	25.90	19.00
580	600	109.40	98.30	88.40	79.20	69.90	60.70	51.60	44.30	37.00	29.70	22.40
600	620	115.20	104.10	93.20	84.00	74.70	65.50	56.30	48.10	40.80	33.50	26.20
620	640	121.00	109.90	98.70	88.80	79.50	70.30	61.10	51.90	44.60	37.30	30.00
640	660	126.80	115.70	104.50	93.60	84.30	75.10	65.90	56.70	48.40	41.10	33.80
660	680	132.90	121.50	110.30	99.20	89.10	79.90	70.70	61.50	52.20	44.90	37.60
680	700	139.30	127.30	116.10	105.00	93.90	84.70	75.50	66.30	57.00	48.70	41.40
700	720	145.70	133.40	121.90	110.80	99.60	89.50	80.30	71.10	61.80	52.60	45.20
720	740	152.10	139.80	127.70	116.60	105.40	94.30	85.10	75.90	66.60	57.40	48.20
740	760	158.50	146.20	133.90	122.40	111.20	100.10	89.90	80.70	71.40	62.20	53.00
760	780	164.90	152.60	140.30	128.20	117.00	105.90	94.70	85.50	76.20	67.00	57.80
780	800	171.30	159.00	146.70	134.40	122.80	111.70	100.50	90.30	81.00	71.80	62.60
800	820	177.70	165.40	153.10	140.80	128.60	117.50	106.30	95.20	85.80	76.60	67.40
820	840	184.10	171.80	159.50	147.20	134.90	123.30	112.10	101.00	90.60	81.40	72.20
840	860	190.50	178.20	165.90	153.60	141.30	129.10	117.90	106.80	95.60	86.20	77.00
860	880	197.10	184.60	172.30	160.00	147.70	135.40	123.70	112.60	101.40	91.00	81.80
880	900	204.50	191.00	178.70	166.40	154.10	141.80	129.50	118.40	107.20	96.10	86.60
900	920	211.90	197.70	185.10	172.80	160.50	148.20	135.90	124.20	113.00	101.90	91.40
920	940	219.30	205.10	191.50	179.20	166.90	154.60	142.30	130.00	118.80	107.70	96.50
940	960	226.70	212.50	198.30	185.60	173.30	161.00	148.70	136.30	124.60	113.50	102.30
960	980	234.10	219.90	205.70	192.00	179.70	167.40	155.10	142.70	130.40	119.30	108.10
980	1,000	241.50	227.30	213.10	198.80	186.10	173.80	161.50	149.10	136.80	125.10	113.90
1,000	1,020	248.90	234.70	220.50	206.20	192.50	180.20	167.90	155.50	143.20	130.90	119.70
1,020	1,040	256.30	242.10	227.90	213.60	199.40	186.60	174.30	161.90	149.60	137.30	125.50
1,040	1,060	263.70	249.50	235.30	221.00	206.80	193.00	180.70	168.30	156.00	143.70	131.40
1,060	1,080	271.10	256.90	242.70	228.40	214.20	200.00	187.10	174.70	162.40	150.10	137.80
1,080	1,100	278.50	264.30	250.10	235.80	221.60	207.40	193.50	181.10	168.80	156.50	144.20
1,100	1,120	285.90	271.70	257.50	243.20	229.00	214.80	200.50	187.50	175.20	162.90	150.60
1,120	1,140	293.30	279.10	264.90	250.60	236.40	222.20	207.90	193.90	181.60	169.30	157.00
1,140	1,160	300.70	286.50	272.30	258.00	243.80	229.60	215.30	201.10	188.00	175.70	163.40
1,160	1,180	308.10	293.90	279.70	265.40	251.20	237.00	222.70	208.50	194.40	182.10	169.80
1,180	1,200	315.50	301.30	287.10	272.80	258.60	244.40	230.10	215.90	201.70	188.50	176.20
1,200	1,220	322.90	308.70	294.50	280.20	266.00	251.80	237.50	223.30	209.10	194.90	182.60
1,220	1,240	330.30	316.10	301.90	287.60	273.40	259.20	244.90	230.70	216.50	202.30	189.00
1,240	1,260	337.70	323.50	309.30	295.00	280.80	266.60	252.30	238.10	223.90	209.70	196.40
1,260	1,280	345.10	330.90	316.70	302.40	288.20	274.00	259.70	245.50	231.30	217.10	202.80
1,280	1,300	352.50	338.30	324.10	309.80	295.60	281.40	267.10	252.90	238.70	224.50	210.20
1,300	1,320	359.90	345.70	331.50	317.20	303.00	288.80	274.50	260.30	246.10	231.90	217.60
		37 percent of the excess over $1,320 plus—										
$1,320 and over		363.60	349.40	335.20	320.90	306.70	292.50	278.20	264.00	249.80	235.60	221.30

ASSIGNMENT SHEET #1

FEDERAL INCOME TAX
WITHHOLDING TAX--PART IV

MARRIED Persons — BIWEEKLY Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$90	$92	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
92	94	.10	0	0	0	0	0	0	0	0	0	0
94	96	.40	0	0	0	0	0	0	0	0	0	0
96	98	.70	0	0	0	0	0	0	0	0	0	0
98	100	.90	0	0	0	0	0	0	0	0	0	0
100	102	1.20	0	0	0	0	0	0	0	0	0	0
102	104	1.50	0	0	0	0	0	0	0	0	0	0
104	106	1.80	0	0	0	0	0	0	0	0	0	0
106	108	2.10	0	0	0	0	0	0	0	0	0	0
108	110	2.30	0	0	0	0	0	0	0	0	0	0
110	112	2.60	0	0	0	0	0	0	0	0	0	0
112	114	2.90	0	0	0	0	0	0	0	0	0	0
114	116	3.20	0	0	0	0	0	0	0	0	0	0
116	118	3.50	0	0	0	0	0	0	0	0	0	0
118	120	3.70	0	0	0	0	0	0	0	0	0	0
120	124	4.20	0	0	0	0	0	0	0	0	0	0
124	128	4.70	0	0	0	0	0	0	0	0	0	0
128	132	5.30	0	0	0	0	0	0	0	0	0	0
132	136	5.80	.50	0	0	0	0	0	0	0	0	0
136	140	6.40	1.00	0	0	0	0	0	0	0	0	0
140	144	7.00	1.60	0	0	0	0	0	0	0	0	0
144	148	7.50	2.10	0	0	0	0	0	0	0	0	0
148	152	8.10	2.70	0	0	0	0	0	0	0	0	0
152	156	8.60	3.30	0	0	0	0	0	0	0	0	0
156	160	9.20	3.80	0	0	0	0	0	0	0	0	0
160	164	9.80	4.40	0	0	0	0	0	0	0	0	0
164	168	10.30	4.90	0	0	0	0	0	0	0	0	0
168	172	10.90	5.50	.10	0	0	0	0	0	0	0	0
172	176	11.40	6.10	.70	0	0	0	0	0	0	0	0
176	180	12.00	6.60	1.20	0	0	0	0	0	0	0	0
180	184	12.60	7.20	1.80	0	0	0	0	0	0	0	0
184	188	13.10	7.70	2.30	0	0	0	0	0	0	0	0
188	192	13.70	8.30	2.90	0	0	0	0	0	0	0	0
192	196	14.20	8.90	3.50	0	0	0	0	0	0	0	0
196	200	14.80	9.40	4.00	0	0	0	0	0	0	0	0
200	210	15.80	10.40	5.00	0	0	0	0	0	0	0	0
210	220	17.20	11.80	6.40	1.00	0	0	0	0	0	0	0
220	230	18.60	13.20	7.80	2.40	0	0	0	0	0	0	0
230	240	20.00	14.60	9.20	3.80	0	0	0	0	0	0	0
240	250	21.40	16.00	10.60	5.20	0	0	0	0	0	0	0
250	260	22.80	17.40	12.00	6.60	1.20	0	0	0	0	0	0
260	270	24.20	18.80	13.40	8.00	2.60	0	0	0	0	0	0
270	280	25.60	20.20	14.80	9.40	4.00	0	0	0	0	0	0
280	290	27.00	21.60	16.20	10.80	5.40	.10	0	0	0	0	0
290	300	28.40	23.00	17.60	12.20	6.80	1.50	0	0	0	0	0
300	320	30.80	25.10	19.70	14.30	8.90	3.60	0	0	0	0	0
320	340	34.00	27.90	22.50	17.10	11.70	6.40	1.00	0	0	0	0
340	360	37.20	31.00	25.30	19.90	14.50	9.20	3.80	0	0	0	0
360	380	40.40	34.20	28.10	22.70	17.30	12.00	6.60	1.20	0	0	0
380	400	43.60	37.40	31.30	25.50	20.10	14.80	9.40	4.00	0	0	0
400	420	46.80	40.60	34.50	28.30	22.90	17.60	12.20	6.80	1.40	0	0
420	440	50.40	43.80	37.70	31.50	25.70	20.40	15.00	9.60	4.20	0	0
440	460	54.40	47.00	40.90	34.70	28.60	23.20	17.80	12.40	7.00	1.60	0
460	480	58.40	50.70	44.10	37.90	31.80	26.00	20.60	15.20	9.80	4.40	0
480	500	62.40	54.70	47.30	41.10	35.00	28.80	23.40	18.00	12.60	7.20	1.80
500	520	66.40	58.70	51.00	44.30	38.20	32.00	26.20	20.80	15.40	10.00	4.60
520	540	70.40	62.70	55.00	47.50	41.40	35.20	29.10	23.60	18.20	12.80	7.40
540	560	74.40	66.70	59.00	51.30	44.60	38.40	32.30	26.40	21.00	15.60	10.20
560	580	78.40	70.70	63.00	55.30	47.80	41.60	35.50	29.30	23.80	18.40	13.00
580	600	82.40	74.70	67.00	59.30	51.70	44.80	38.70	32.50	26.60	21.20	15.80
600	620	87.30	78.70	71.00	63.30	55.70	48.00	41.90	35.70	29.60	24.00	18.60
620	640	92.30	82.70	75.00	67.30	59.70	52.00	45.10	38.90	32.80	26.80	21.40
640	660	97.30	87.70	79.00	71.30	63.70	56.00	48.30	42.10	36.00	29.60	24.20
660	680	102.30	92.70	83.10	75.30	67.70	60.00	52.30	45.30	39.20	33.00	27.00
680	700	107.30	97.70	88.10	79.30	71.70	64.00	56.30	48.50	42.40	36.20	30.10

(Continued on next page)

ASSIGNMENT SHEET #1

MARRIED Persons — **BIWEEKLY** Payroll Period

(For Wages Paid After September 1981 and Before July 1982)

And the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld shall be—										
$700	$720	$112.30	$102.70	$93.10	$83.50	$75.70	$68.00	$60.30	$52.60	$45.80	$39.40	$33.30
720	740	117.30	107.70	98.10	88.50	79.70	72.00	64.30	56.60	48.90	42.60	36.50
740	760	122.30	112.70	103.10	93.50	83.80	76.00	68.30	60.60	52.90	45.80	39.70
760	780	127.30	117.70	108.10	98.50	88.80	80.00	72.30	64.60	56.90	49.20	42.90
780	800	132.30	122.70	113.10	103.50	93.80	84.20	76.30	68.60	60.90	53.20	46.10
800	820	137.30	127.70	118.10	108.50	98.80	89.20	80.30	72.60	64.90	57.20	49.90
820	840	142.30	132.70	123.10	113.50	103.80	94.20	84.60	76.60	68.90	61.20	53.90
840	860	147.30	137.70	128.10	118.50	108.80	99.20	89.60	80.60	72.90	65.20	57.90
860	880	152.30	142.70	133.10	123.50	113.80	104.20	94.60	85.00	76.90	69.20	61.90
880	900	157.30	147.70	138.10	128.50	118.80	109.20	99.60	90.00	80.90	73.20	65.90
900	920	163.30	152.70	143.10	133.50	123.80	114.20	104.60	95.00	85.40	77.20	69.90
920	940	169.50	157.70	148.10	138.50	128.80	119.20	109.60	100.00	90.40	81.20	73.90
940	960	175.70	163.70	153.10	143.50	133.80	124.20	114.60	105.00	95.40	85.80	77.90
960	980	181.90	169.90	158.10	148.50	138.80	129.20	119.60	110.00	100.40	90.80	81.90
980	1,000	188.10	176.10	164.20	153.50	143.80	134.20	124.60	115.00	105.40	95.80	86.20
1,000	1,020	194.30	182.30	170.40	158.50	148.80	139.20	129.60	120.00	110.40	100.80	91.20
1,020	1,040	200.50	188.50	176.60	164.70	153.80	144.20	134.60	125.00	115.40	105.80	96.20
1,040	1,060	206.70	194.70	182.80	170.90	159.00	149.20	139.60	130.00	120.40	110.80	101.20
1,060	1,080	212.90	200.90	189.00	177.10	165.20	154.20	144.60	135.00	125.40	115.80	106.20
1,080	1,100	219.10	207.10	195.20	183.30	171.40	159.40	149.60	140.00	130.40	120.80	111.20
1,100	1,120	225.30	213.30	201.40	189.50	177.60	165.60	154.60	145.00	135.40	125.80	116.20
1,120	1,140	232.00	219.50	207.60	195.70	183.80	171.80	159.90	150.00	140.40	130.80	121.20
1,140	1,160	238.80	225.70	213.80	201.90	190.00	178.00	166.10	155.00	145.40	135.80	126.20
1,160	1,180	245.60	232.50	220.00	208.10	196.20	184.20	172.30	160.40	150.40	140.80	131.20
1,180	1,200	252.40	239.30	226.30	214.30	202.40	190.40	178.50	166.60	155.40	145.80	136.20
1,200	1,220	259.20	246.10	233.10	220.50	208.60	196.60	184.70	172.80	160.90	150.80	141.20
1,220	1,240	266.00	252.90	239.90	226.80	214.80	202.80	190.90	179.00	167.10	155.80	146.20
1,240	1,260	272.80	259.70	246.70	233.60	221.00	209.00	197.10	185.20	173.30	161.30	151.20
1,260	1,280	279.60	266.50	253.50	240.40	227.30	215.20	203.30	191.40	179.50	167.50	156.20
1,280	1,300	286.40	273.30	260.30	247.20	234.10	221.40	209.50	197.60	185.70	173.70	161.80
1,300	1,320	293.20	280.10	267.10	254.00	240.90	227.80	215.70	203.80	191.90	179.90	168.00
1,320	1,340	300.40	286.90	273.90	260.80	247.70	234.60	221.90	210.00	198.10	186.10	174.20
1,340	1,360	307.80	293.70	280.70	267.60	254.50	241.40	228.30	216.20	204.30	192.30	180.40
1,360	1,380	315.20	301.00	287.50	274.40	261.30	248.20	235.10	222.40	210.50	198.50	186.60
1,380	1,400	322.60	308.40	294.30	281.20	268.10	255.00	241.90	228.90	216.70	204.70	192.80
1,400	1,420	330.00	315.80	301.60	288.00	274.90	261.80	248.70	235.70	222.90	210.90	199.00
1,420	1,440	337.40	323.20	309.00	294.80	281.70	268.60	255.50	242.50	229.40	217.10	205.20
1,440	1,460	344.80	330.60	316.40	302.20	288.50	275.40	262.30	249.30	236.20	223.30	211.40
1,460	1,480	352.20	338.00	323.80	309.60	295.30	282.20	269.10	256.10	243.00	229.90	217.60
1,480	1,500	359.60	345.40	331.20	317.00	302.70	289.00	275.90	262.90	249.80	236.70	223.80
1,500	1,520	367.00	352.80	338.60	324.40	310.10	295.90	282.70	269.70	256.60	243.50	230.40
1,520	1,540	374.40	360.20	346.00	331.80	317.50	303.30	289.50	276.50	263.40	250.30	237.20
1,540	1,560	381.80	367.60	353.40	339.20	324.90	310.70	296.50	283.30	270.20	257.10	244.00
1,560	1,580	389.20	375.00	360.80	346.60	332.30	318.10	303.90	290.10	277.00	263.90	250.80
1,580	1,600	396.60	382.40	368.20	354.00	339.70	325.50	311.30	297.00	283.80	270.70	257.60
1,600	1,620	404.00	389.80	375.60	361.40	347.10	332.90	318.70	304.40	290.60	277.50	264.40
1,620	1,640	411.40	397.20	383.00	368.80	354.50	340.30	326.10	311.80	297.60	284.30	271.20
1,640	1,660	418.80	404.60	390.40	376.20	361.90	347.70	333.50	319.20	305.00	291.10	278.00
1,660	1,680	426.20	412.00	397.80	383.60	369.30	355.10	340.90	326.60	312.40	298.20	284.80
1,680	1,700	433.60	419.40	405.20	391.00	376.70	362.50	348.30	334.00	319.80	305.60	291.60
1,700	1,720	441.00	426.80	412.60	398.40	384.10	369.90	355.70	341.40	327.20	313.00	298.70
		37 percent of the excess over $1,720 plus—										
$1,720 and over		444.70	430.50	416.30	402.10	387.80	373.60	359.40	345.10	330.90	316.70	302.40

ASSIGNMENT SHEET #1

OKLAHOMA INCOME TAX WITHHOLDING TABLES (1982)

OKLAHOMA INCOME TAX WITHHOLDING RATES
BASED ON WEEKLY PAYROLL PERIOD
FOR SINGLE PERSONS

GROSS WAGES ARE		NUMBER OF WITHHOLDING ALLOWANCES CLAIMED										
MORE THAN	BUT NOT OVER	0	1	2	3	4	5	6	7	8	9	10 PLUS
		THE AMOUNT TO BE WITHHELD FROM WAGES FOR OKLAHOMA STATE INCOME TAX SHALL BE										
37.	46.	0.13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
46.	55.	0.21	0.10	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
55.	65.	0.29	0.17	0.08	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
65.	74.	0.36	0.25	0.14	0.06	0.0	0.0	0.0	0.0	0.0	0.0	0.0
74.	83.	0.50	0.33	0.21	0.10	0.0	0.0	0.0	0.0	0.0	0.0	0.0
83.	92.	0.65	0.43	0.29	0.18	0.08	0.0	0.0	0.0	0.0	0.0	0.0
92.	102.	0.81	0.58	0.37	0.26	0.14	0.06	0.0	0.0	0.0	0.0	0.0
102.	111.	1.01	0.74	0.51	0.33	0.22	0.11	0.0	0.0	0.0	0.0	0.0
111.	120.	1.24	0.90	0.66	0.44	0.30	0.18	0.08	0.0	0.0	0.0	0.0
120.	129.	1.49	1.14	0.82	0.59	0.38	0.26	0.15	0.07	0.0	0.0	0.0
129.	138.	1.72	1.34	1.00	0.73	0.50	0.33	0.22	0.10	0.0	0.0	0.0
138.	146.	1.97	1.54	1.20	0.86	0.63	0.40	0.28	0.17	0.08	0.0	0.0
148.	157.	2.23	1.77	1.39	1.05	0.76	0.53	0.34	0.23	0.12	0.05	0.0
157.	166.	2.49	2.03	1.58	1.24	0.90	0.66	0.43	0.30	0.18	0.08	0.0
166.	175.	2.78	2.28	1.83	1.43	1.09	0.79	0.56	0.36	0.25	0.13	0.06
175.	185.	3.10	2.54	2.08	1.63	1.28	0.94	0.69	0.46	0.31	0.20	0.09
185.	194.	3.42	2.85	2.34	1.68	1.47	1.13	0.81	0.59	0.37	0.26	0.15
194.	203.	3.74	3.17	2.60	2.14	1.69	1.32	0.98	0.71	0.49	0.32	0.21
203.	212.	4.12	3.49	2.92	2.39	1.94	1.51	1.17	0.84	0.62	0.39	0.27
212.	222.	4.50	3.82	3.24	2.67	2.20	1.74	1.36	1.02	0.74	0.52	0.34
222.	231.	4.89	4.20	3.56	2.99	2.45	2.00	1.55	1.21	0.87	0.64	0.42
231.	240.	5.27	4.58	3.90	3.31	2.74	2.25	1.80	1.40	1.06	0.77	0.54
240.	249.	5.65	4.97	4.29	3.63	3.06	2.51	2.05	1.60	1.25	0.91	0.67
249.	258.	6.07	5.35	4.67	3.99	3.38	2.81	2.31	1.85	1.45	1.11	0.80
258.	268.	6.59	5.80	5.11	4.43	3.75	3.18	2.61	2.15	1.69	1.33	0.99
268.	277.	7.13	6.34	5.58	4.90	4.21	3.57	3.00	2.46	2.00	1.56	1.22
277.	286.	7.67	6.88	6.09	5.36	4.68	4.00	3.39	2.82	2.31	1.86	1.45
286.	295.	8.22	7.42	6.63	5.83	5.14	4.46	3.78	3.21	2.64	2.17	1.72
295.	305.	8.80	7.97	7.17	6.38	5.61	4.93	4.25	3.60	3.03	2.48	2.03
305.	314.	9.42	8.52	7.71	6.92	6.13	5.39	4.71	4.03	3.42	2.85	2.34
314.	323.	10.04	9.14	8.26	7.46	6.67	5.87	5.18	4.50	3.82	3.24	2.67
323.	332.	10.66	9.76	8.85	8.01	7.21	6.42	5.64	4.96	4.28	3.63	3.06
332.	342.	11.29	10.38	9.47	8.56	7.75	6.96	6.17	5.43	4.75	4.07	3.45
342.	351.	11.95	11.00	10.09	9.18	8.30	7.50	6.71	5.91	5.21	4.53	3.85
351.	360.	12.65	11.63	10.71	9.80	8.89	8.05	7.25	6.46	5.68	5.00	4.32
360.	369.	13.35	12.32	11.33	10.42	9.51	8.61	7.79	7.00	6.21	5.46	4.78
369.	378.	14.04	13.02	12.00	11.04	10.13	9.23	8.34	7.54	6.75	5.95	5.25
378.	388.	14.74	13.72	12.70	11.68	10.76	9.85	8.94	8.09	7.29	6.50	5.71
		8 PERCENT OF EXCESS OVER $ 388.00 PLUS--										
388. AND OVER		14.74	13.72	12.70	11.68	10.76	9.85	8.94	8.09	7.29	6.50	5.71

ASSIGNMENT SHEET #1

OKLAHOMA INCOME TAX WITHHOLDING RATES
BASED ON WEEKLY PAYROLL PERIOD
FOR MARRIED PERSONS

GROSS WAGES ARE		NUMBER OF WITHHOLDING ALLOWANCES CLAIMED										
MORE THAN	BUT NOT OVER	0	1	2	3	4	5	6	7	8	9	10 PLUS
		THE AMOUNT TO BE WITHHELD FROM WAGES FOR OKLAHOMA STATE INCOME TAX SHALL BE										
37.	46.	0.11	0.04	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
46.	55.	0.16	0.09	0.01	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
55.	65.	0.22	0.13	0.06	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
65.	74.	0.30	0.19	0.13	0.08	0.02	0.0	0.0	0.0	0.0	0.0	0.0
74.	83.	0.39	0.27	0.17	0.12	0.06	0.00	0.0	0.0	0.0	0.0	0.0
83.	92.	0.46	0.34	0.23	0.15	0.10	0.04	0.0	0.0	0.0	0.0	0.0
92.	102.	0.53	0.42	0.31	0.19	0.14	0.08	0.02	0.0	0.0	0.0	0.0
102.	111.	0.61	0.50	0.38	0.27	0.18	0.12	0.06	0.00	0.0	0.0	0.0
111.	120.	0.69	0.58	0.46	0.35	0.24	0.16	0.10	0.04	0.0	0.0	0.0
120.	129.	0.77	0.65	0.54	0.43	0.31	0.20	0.14	0.08	0.03	0.0	0.0
129.	138.	0.90	0.72	0.61	0.50	0.38	0.27	0.17	0.12	0.06	0.00	0.0
138.	148.	1.03	0.80	0.67	0.56	0.45	0.33	0.22	0.15	0.09	0.04	0.0
148.	157.	1.16	0.93	0.74	0.62	0.51	0.40	0.28	0.18	0.12	0.07	0.01
157.	166.	1.29	1.06	0.83	0.69	0.57	0.46	0.35	0.23	0.16	0.10	0.04
166.	175.	1.41	1.19	0.96	0.75	0.64	0.52	0.41	0.30	0.19	0.13	0.07
175.	185.	1.54	1.31	1.09	0.86	0.70	0.59	0.47	0.36	0.25	0.16	0.11
185.	194.	1.67	1.44	1.21	0.99	0.76	0.65	0.54	0.42	0.31	0.20	0.14
194.	203.	1.83	1.57	1.34	1.11	0.89	0.71	0.60	0.49	0.37	0.26	0.17
203.	212.	2.02	1.69	1.47	1.24	1.01	0.79	0.66	0.55	0.44	0.32	0.21
212.	222.	2.21	1.87	1.60	1.37	1.14	0.91	0.73	0.61	0.50	0.39	0.27
222.	231.	2.40	2.06	1.72	1.50	1.27	1.04	0.81	0.68	0.57	0.45	0.34
231.	240.	2.59	2.25	1.91	1.62	1.40	1.17	0.94	0.74	0.63	0.52	0.40
240.	249.	2.84	2.44	2.10	1.76	1.52	1.30	1.07	0.84	0.69	0.58	0.47
249.	258.	3.10	2.64	2.29	1.95	1.65	1.42	1.20	0.97	0.76	0.64	0.53
258.	268.	3.39	2.94	2.51	2.17	1.83	1.57	1.34	1.12	0.89	0.72	0.60
268.	277.	3.70	3.25	2.79	2.40	2.06	1.73	1.50	1.27	1.05	0.82	0.68
277.	286.	4.09	3.56	3.11	2.65	2.30	1.96	1.65	1.43	1.20	0.97	0.76
286.	295.	4.47	3.90	3.42	2.96	2.53	2.19	1.85	1.58	1.36	1.13	0.90
295.	305.	4.85	4.29	3.73	3.27	2.82	2.42	2.08	1.74	1.51	1.28	1.06
305.	314.	5.25	4.67	4.11	3.58	3.13	2.67	2.31	1.97	1.67	1.44	1.21
314.	323.	5.72	5.06	4.49	3.93	3.44	2.98	2.55	2.21	1.87	1.59	1.37
323.	332.	6.19	5.50	4.88	4.32	3.75	3.29	2.84	2.44	2.10	1.76	1.52
332.	342.	6.65	5.97	5.29	4.70	4.14	3.60	3.15	2.70	2.33	1.99	1.68
342.	351.	7.14	6.43	5.75	5.09	4.52	3.96	3.46	3.01	2.56	2.22	1.88
351.	360.	7.69	6.90	6.22	5.54	4.91	4.34	3.78	3.32	2.86	2.46	2.12
360.	369.	8.23	7.44	6.68	6.00	5.32	4.73	4.16	3.63	3.17	2.72	2.35
369.	378.	8.77	7.98	7.18	6.47	5.78	5.12	4.55	3.98	3.48	3.03	2.58
378.	388.	9.37	8.52	7.73	6.93	6.25	5.57	4.94	4.37	3.80	3.34	2.89
		6 PERCENT OF EXCESS OVER $ 388.00 PLUS--										
388 AND OVER		9.37	8.52	7.73	6.93	6.25	5.57	4.94	4.37	3.80	3.34	2.89

ASSIGNMENT SHEET #1

OKLAHOMA INCOME TAX WITHHOLDING RATES
BASED ON SEMI-MONTHLY OR BI-WEEKLY PAYROLL PERIOD
FOR SINGLE PERSONS

GROSS WAGES ARE		NUMBER OF WITHHOLDING ALLOWANCES CLAIMED										
MORE THAN	BUT NOT OVER	0	1	2	3	4	5	6	7	8	9	10 PLUS
		THE AMOUNT TO BE WITHHELD FROM WAGES FOR OKLAHOMA STATE INCOME TAX SHALL BE										
80.	100.	0.27	0.09	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
100.	120.	0.45	0.21	0.08	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120.	140.	0.62	0.37	0.17	0.05	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140.	160.	[illegible]	0.54	0.30	0.13	0.0	0.0	0.0	0.0	0.0	0.0	0.0
160.	180.	1.09	0.71	0.46	0.22	0.09	0.0	0.0	0.0	0.0	0.0	0.0
180.	200.	1.42	0.92	0.63	0.39	0.17	0.05	0.0	0.0	0.0	0.0	0.0
200.	220.	1.75	1.26	0.80	0.55	0.31	0.14	0.0	0.0	0.0	0.0	0.0
220.	240.	2.19	1.60	1.10	0.72	0.48	0.23	0.10	0.0	0.0	0.0	0.0
240.	260.	2.70	1.96	1.44	0.95	0.64	0.40	0.18	0.06	0.0	0.0	0.0
260.	280.	3.20	2.46	1.78	1.20	0.81	0.57	0.32	0.14	0.0	0.0	0.0
280.	300.	3.72	2.91	2.18	1.58	1.09	0.72	0.47	0.23	0.08	0.0	0.0
300.	320.	4.27	3.33	2.59	1.86	1.37	0.88	0.61	0.36	0.16	0.0	0.0
320.	340.	4.83	3.84	3.00	2.27	1.64	1.15	0.75	0.50	0.26	0.11	0.0
340	360.	5.39	4.39	3.42	2.68	1.94	1.43	0.94	0.64	0.39	0.18	0.06
360.	380.	6.03	4.95	3.96	3.09	2.36	1.70	1.21	0.78	0.53	0.29	0.12
380.	400.	6.72	5.50	4.51	3.53	2.77	2.03	1.49	1.00	0.67	0.42	0.19
400.	420.	7.41	6.18	5.07	4.08	3.18	2.45	1.76	1.27	0.81	0.56	0.32
420.	440.	8.10	6.87	5.64	4.64	3.65	2.86	2.12	1.55	1.06	0.70	0.45
440.	460.	8.92	7.56	6.33	5.19	4.20	3.28	2.54	1.83	1.33	0.84	0.59
460.	480.	9.75	8.28	7.02	5.79	4.76	3.77	2.95	2.21	1.61	1.12	0.73
480.	500.	10.59	9.11	7.71	6.48	5.31	4.32	3.37	2.63	1.89	1.39	0.90
500.	520.	11.41	9.93	8.46	7.17	5.95	4.88	3.89	3.04	2.30	1.67	1.18
520.	540.	12.24	10.76	9.29	[illegible]	6.64	5.43	4.45	3.46	2.72	1.98	1.45
540.	560.	13.16	11.59	10.12	8.64	7.33	6.10	5.00	4.01	3.13	2.40	1.73
560.	580.	14.29	12.56	11.07	9.60	8.12	6.89	5.67	4.65	3.67	2.87	2.14
580.	600.	15.45	13.73	12.08	10.61	9.13	7.73	6.51	5.32	4.34	3.38	2.64
600.	620.	16.63	14.91	13.19	11.61	10.14	8.66	7.35	6.12	5.01	4.03	3.14
620.	640.	17.80	16.08	14.35	12.64	11.15	9.67	8.20	6.96	5.73	4.70	3.72
640.	660.	19.07	17.26	15.54	13.82	12.15	10.68	9.20	7.80	6.57	5.37	4.39
660.	680.	20.42	18.45	16.72	14.99	13.27	11.69	10.21	8.74	7.41	6.18	5.06
680.	700.	21.76	19.79	17.89	16.17	14.45	12.73	11.22	9.75	8.27	7.02	5.79
700.	720.	23.11	21.14	19.17	17.35	15.63	13.90	12.23	10.75	9.28	7.86	6.63
720.	740.	24.45	22.48	20.52	18.55	16.80	15.08	13.36	11.76	10.29	8.81	7.47
740.	760.	25.89	23.83	21.86	19.89	17.98	16.26	14.54	12.81	11.29	9.82	8.34
760.	780.	27.40	25.19	23.20	21.24	19.27	17.43	15.71	13.99	12.30	10.83	9.35
780.	800.	28.92	26.70	24.55	22.58	20.61	18.65	16.89	15.17	13.45	11.84	10.36
800.	820.	30.43	28.22	26.00	23.93	21.96	19.99	18.06	16.34	14.62	12.90	11.37
820.	840.	31.94	29.73	27.52	25.30	23.30	21.34	19.37	17.52	15.80	14.08	12.38
		8 PERCENT OF EXCESS OVER $ 840.00 PLUS--										
840. AND OVER		31.94	29.73	27.52	25.30	23.30	21.34	19.37	17.52	15.80	14.08	12.38

ASSIGNMENT SHEET #1

OKLAHOMA INCOME TAX WITHHOLDING RATES
BASED ON SEMI-MONTHLY OR BI-WEEKLY PAYROLL PERIOD
FOR MARRIED PERSONS

GROSS WAGES ARE		NUMBER OF WITHHOLDING ALLOWANCES CLAIMED										
MORE THAN	BUT NOT OVER	0	1	2	3	4	5	6	7	8	9	10 PLUS
		THE AMOUNT TO BE WITHHELD FROM WAGES FOR OKLAHOMA STATE INCOME TAX SHALL BE										
80.	100.	0.24	0.09	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
100.	120.	0.34	0.19	0.03	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120.	140.	0.47	0.29	0.13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140.	160.	0.65	0.41	0.29	0.17	0.04	0.0	0.0	0.0	0.0	0.0	0.0
160.	180.	0.82	0.58	0.37	0.25	0.13	0.00	0.0	0.0	0.0	0.0	0.0
180.	200.	0.99	0.74	0.50	0.33	0.21	0.09	0.0	0.0	0.0	0.0	0.0
200.	220.	1.16	0.91	0.67	0.42	0.30	0.17	0.05	0.0	0.0	0.0	0.0
220.	240.	1.33	1.08	0.83	0.59	0.38	0.26	0.13	0.01	0.0	0.0	0.0
240.	260.	1.49	1.25	1.00	0.76	0.51	0.34	0.22	0.09	0.0	0.0	0.0
260.	280.	1.66	1.42	1.17	0.92	0.68	0.43	0.30	0.18	0.06	0.0	0.0
280.	300.	1.96	1.57	1.32	1.07	0.83	0.58	0.38	0.25	0.13	0.01	0.0
300.	320.	2.23	1.74	1.46	1.21	0.97	0.72	0.47	0.32	0.20	0.08	0.0
320.	340.	2.51	2.02	1.60	1.35	1.10	0.86	0.61	0.39	0.27	0.15	0.02
340.	360.	2.78	2.29	1.80	1.49	1.24	1.00	0.75	0.50	0.34	0.21	0.09
360.	380.	3.06	2.57	2.08	1.63	1.38	1.13	0.89	0.64	0.41	0.28	0.16
380.	400.	3.34	2.84	2.35	1.86	1.52	1.27	1.03	0.78	0.53	0.35	0.23
400.	420.	3.61	3.12	2.63	2.14	1.66	1.41	1.16	0.92	0.67	0.43	0.30
420.	440.	3.96	3.40	2.90	2.41	1.92	1.55	1.30	1.06	0.81	0.56	0.37
440.	460.	4.37	3.67	3.18	2.69	2.20	1.71	1.44	1.19	0.95	0.70	0.44
460.	480.	4.78	4.05	3.46	2.96	2.47	1.98	1.58	1.33	1.09	0.84	0.59
480.	500.	5.20	4.46	3.73	3.24	2.75	2.26	1.77	1.47	1.22	0.98	0.73
500.	520.	5.61	4.87	4.14	3.52	3.02	2.53	2.04	1.61	1.36	1.12	0.87
520.	540.	6.16	5.29	4.55	3.81	3.30	2.81	2.32	1.83	1.50	1.25	1.01
540.	560.	6.71	5.73	4.97	4.23	3.58	3.09	2.59	2.10	1.64	1.39	1.15
560.	580.	7.35	6.37	5.44	4.71	3.97	3.40	2.91	2.42	1.93	1.55	1.31
580.	600.	8.02	7.04	6.06	5.21	4.47	3.74	3.25	2.76	2.27	1.77	1.47
600.	620.	8.84	7.71	6.73	5.74	4.98	4.24	3.58	3.09	2.60	2.11	1.64
620.	640.	9.69	8.45	7.40	6.42	5.48	4.74	4.01	3.43	2.94	2.45	1.95
640.	660.	10.52	9.29	8.07	7.09	6.10	5.25	4.51	3.77	3.27	2.78	2.29
660.	680.	11.38	10.13	8.90	7.76	6.78	5.79	5.01	4.28	3.61	3.12	2.63
680.	700.	12.39	10.97	9.74	8.51	7.45	6.47	5.52	4.78	4.04	3.45	2.96
700.	720.	13.39	11.92	10.58	9.35	8.12	7.14	6.15	5.28	4.55	3.81	3.30
720.	740.	14.40	12.93	11.45	10.19	8.96	7.81	6.83	5.84	5.05	4.31	3.63
740.	760.	15.49	13.93	12.46	11.03	9.80	8.57	7.50	6.51	5.55	4.82	4.08
760.	780.	16.65	14.94	13.47	11.99	10.64	9.41	8.18	7.19	6.20	5.32	4.58
780.	800.	17.83	16.11	14.48	13.00	11.53	10.25	9.02	7.86	6.88	5.89	5.09
800.	820.	19.01	17.29	15.56	14.01	12.53	11.09	9.86	8.63	7.55	6.56	5.59
820.	840.	20.30	18.46	16.74	15.03	13.54	12.07	10.70	9.47	8.24	7.24	6.26
		5 PERCENT OF EXCESS OVER $ 840.00 PLUS--										
840. AND OVER		20.30	18.46	16.74	15.02	13.54	12.07	10.70	9.47	8.24	7.24	6.26

ASSIGNMENT SHEET #1

SOCIAL SECURITY EMPLOYEE TAX TABLE (1982)

6.70% employee tax deductions

Wages at least	But less than	Tax to be withheld	Wages at least	But less than	Tax to be withheld	Wages at least	But less than	Tax to be withheld	Wages at least	But less than	Tax to be withheld
$0.00	$0.08	$0.00	$13.36	$13.51	$.90	$26.80	$26.95	$1.80	$40.23	$40.38	$2.70
.08	.23	.01	13.51	13.66	.91	26.95	27.09	1.81	40.38	40.53	2.71
.23	.38	.02	13.66	13.81	.92	27.09	27.24	1.82	40.53	40.68	2.72
.38	.53	.03	13.81	13.96	.93	27.24	27.39	1.83	40.68	40.83	2.73
.53	.68	.04	13.96	14.11	.94	27.39	27.54	1.84	40.83	40.98	2.74
.68	.83	.05	14.11	14.26	.95	27.54	27.69	1.85	40.98	41.12	2.75
.83	.98	.06	14.26	14.41	.96	27.69	27.84	1.86	41.12	41.27	2.76
.98	1.12	.07	14.41	14.56	.97	27.84	27.99	1.87	41.27	41.42	2.77
1.12	1.27	.08	14.56	14.71	.98	27.99	28.14	1.88	41.42	41.57	2.78
1.27	1.42	.09	14.71	14.86	.99	28.14	28.29	1.89	41.57	41.72	2.79
1.42	1.57	.10	14.86	15.00	1.00	28.29	28.44	1.90	41.72	41.87	2.80
1.57	1.72	.11	15.00	15.15	1.01	28.44	28.59	1.91	41.87	42.02	2.81
1.72	1.87	.12	15.15	15.30	1.02	28.59	28.74	1.92	42.02	42.17	2.82
1.87	2.02	.13	15.30	15.45	1.03	28.74	28.89	1.93	42.17	42.32	2.83
2.02	2.17	.14	15.45	15.60	1.04	28.89	29.03	1.94	42.32	42.47	2.84
2.17	2.32	.15	15.60	15.75	1.05	29.03	29.18	1.95	42.47	42.62	2.85
2.32	2.47	.16	15.75	15.90	1.06	29.18	29.33	1.96	42.62	42.77	2.86
2.47	2.62	.17	15.90	16.05	1.07	29.33	29.48	1.97	42.77	42.92	2.87
2.62	2.77	.18	16.05	16.20	1.08	29.48	29.63	1.98	42.92	43.06	2.88
2.77	2.92	.19	16.20	16.35	1.09	29.63	29.78	1.99	43.06	43.21	2.89
2.92	3.06	.20	16.35	16.50	1.10	29.78	29.93	2.00	43.21	43.36	2.90
3.06	3.21	.21	16.50	16.65	1.11	29.93	30.08	2.01	43.36	43.51	2.91
3.21	3.36	.22	16.65	16.80	1.12	30.08	30.23	2.02	43.51	43.66	2.92
3.36	3.51	.23	16.80	16.95	1.13	30.23	30.38	2.03	43.66	43.81	2.93
3.51	3.66	.24	16.95	17.09	1.14	30.38	30.53	2.04	43.81	43.96	2.94
3.66	3.81	.25	17.09	17.24	1.15	30.53	30.68	2.05	43.96	44.11	2.95
3.81	3.96	.26	17.24	17.39	1.16	30.68	30.83	2.06	44.11	44.26	2.96
3.96	4.11	.27	17.39	17.54	1.17	30.83	30.98	2.07	44.26	44.41	2.97
4.11	4.26	.28	17.54	17.69	1.18	30.98	31.12	2.08	44.41	44.56	2.98
4.26	4.41	.29	17.69	17.84	1.19	31.12	31.27	2.09	44.56	44.71	2.99
4.41	4.56	.30	17.84	17.99	1.20	31.27	31.42	2.10	44.71	44.86	3.00
4.56	4.71	.31	17.99	18.14	1.21	31.42	31.57	2.11	44.86	45.00	3.01
4.71	4.86	.32	18.14	18.29	1.22	31.57	31.72	2.12	45.00	45.15	3.02
4.86	5.00	.33	18.29	18.44	1.23	31.72	31.87	2.13	45.15	45.30	3.03
5.00	5.15	.34	18.44	18.59	1.24	31.87	32.02	2.14	45.30	45.45	3.04
5.15	5.30	.35	18.59	18.74	1.25	32.02	32.17	2.15	45.45	45.60	3.05
5.30	5.45	.36	18.74	18.89	1.26	32.17	32.32	2.16	45.60	45.75	3.06
5.45	5.60	.37	18.89	19.03	1.27	32.32	32.47	2.17	45.75	45.90	3.07
5.60	5.75	.38	19.03	19.18	1.28	32.47	32.62	2.18	45.90	46.05	3.08
5.75	5.90	.39	19.18	19.33	1.29	32.62	32.77	2.19	46.05	46.20	3.09
5.90	6.05	.40	19.33	19.48	1.30	32.77	32.92	2.20	46.20	46.35	3.10
6.05	6.20	.41	19.48	19.63	1.31	32.92	33.06	2.21	46.35	46.50	3.11
6.20	6.35	.42	19.63	19.78	1.32	33.06	33.21	2.22	46.50	46.65	3.12
6.35	6.50	.43	19.78	19.93	1.33	33.21	33.36	2.23	46.65	46.80	3.13
6.50	6.65	.44	19.93	20.08	1.34	33.36	33.51	2.24	46.80	46.95	3.14
6.65	6.80	.45	20.08	20.23	1.35	33.51	33.66	2.25	46.95	47.09	3.15
6.80	6.95	.46	20.23	20.38	1.36	33.66	33.81	2.26	47.09	47.24	3.16
6.95	7.09	.47	20.38	20.53	1.37	33.81	33.96	2.27	47.24	47.39	3.17
7.09	7.24	.48	20.53	20.68	1.38	33.96	34.11	2.28	47.39	47.54	3.18
7.24	7.39	.49	20.68	20.83	1.39	34.11	34.26	2.29	47.54	47.69	3.19
7.39	7.54	.50	20.83	20.98	1.40	34.26	34.41	2.30	47.69	47.84	3.20
7.54	7.69	.51	20.98	21.12	1.41	34.41	34.56	2.31	47.84	47.99	3.21
7.69	7.84	.52	21.12	21.27	1.42	34.56	34.71	2.32	47.99	48.14	3.22
7.84	7.99	.53	21.27	21.42	1.43	34.71	34.86	2.33	48.14	48.29	3.23
7.99	8.14	.54	21.42	21.57	1.44	34.86	35.00	2.34	48.29	48.44	3.24
8.14	8.29	.55	21.57	21.72	1.45	35.00	35.15	2.35	48.44	48.59	3.25
8.29	8.44	.56	21.72	21.87	1.46	35.15	35.30	2.36	48.59	48.74	3.26
8.44	8.59	.57	21.87	22.02	1.47	35.30	35.45	2.37	48.74	48.89	3.27
8.59	8.74	.58	22.02	22.17	1.48	35.45	35.60	2.38	48.89	49.03	3.28
8.74	8.89	.59	22.17	22.32	1.49	35.60	35.75	2.39	49.03	49.18	3.29
8.89	9.03	.60	22.32	22.47	1.50	35.75	35.90	2.40	49.18	49.33	3.30
9.03	9.18	.61	22.47	22.62	1.51	35.90	36.05	2.41	49.33	49.48	3.31
9.18	9.33	.62	22.62	22.77	1.52	36.05	36.20	2.42	49.48	49.63	3.32
9.33	9.48	.63	22.77	22.92	1.53	36.20	36.35	2.43	49.63	49.78	3.33
9.48	9.63	.64	22.92	23.06	1.54	36.35	36.50	2.44	49.78	49.93	3.34
9.63	9.78	.65	23.06	23.21	1.55	36.50	36.65	2.45	49.93	50.08	3.35
9.78	9.93	.66	23.21	23.36	1.56	36.65	36.80	2.46	50.08	50.23	3.36
9.93	10.08	.67	23.36	23.51	1.57	36.80	36.95	2.47	50.23	50.38	3.37
10.08	10.23	.68	23.51	23.66	1.58	36.95	37.09	2.48	50.38	50.53	3.38
10.23	10.38	.69	23.66	23.81	1.59	37.09	37.24	2.49	50.53	50.68	3.39
10.38	10.53	.70	23.81	23.96	1.60	37.24	37.39	2.50	50.68	50.83	3.40
10.53	10.68	.71	23.96	24.11	1.61	37.39	37.54	2.51	50.83	50.98	3.41
10.68	10.83	.72	24.11	24.26	1.62	37.54	37.69	2.52	50.98	51.12	3.42
10.83	10.98	.73	24.26	24.41	1.63	37.69	37.84	2.53	51.12	51.27	3.43
10.98	11.12	.74	24.41	24.56	1.64	37.84	37.99	2.54	51.27	51.42	3.44
11.12	11.27	.75	24.56	24.71	1.65	37.99	38.14	2.55	51.42	51.57	3.45
11.27	11.42	.76	24.71	24.86	1.66	38.14	38.29	2.56	51.57	51.72	3.46
11.42	11.57	.77	24.86	25.00	1.67	38.29	38.44	2.57	51.72	51.87	3.47
11.57	11.72	.78	25.00	25.15	1.68	38.44	38.59	2.58	51.87	52.02	3.48
11.72	11.87	.79	25.15	25.30	1.69	38.59	38.74	2.59	52.02	52.17	3.49
11.87	12.02	.80	25.30	25.45	1.70	38.74	38.89	2.60	52.17	52.32	3.50
12.02	12.17	.81	25.45	25.60	1.71	38.89	39.03	2.61	52.32	52.47	3.51
12.17	12.32	.82	25.60	25.75	1.72	39.03	39.18	2.62	52.47	52.62	3.52
12.32	12.47	.83	25.75	25.90	1.73	39.18	39.33	2.63	52.62	52.77	3.53
12.47	12.62	.84	25.90	26.05	1.74	39.33	39.48	2.64	52.77	52.92	3.54
12.62	12.77	.85	26.05	26.20	1.75	39.48	39.63	2.65	52.92	53.06	3.55
12.77	12.92	.86	26.20	26.35	1.76	39.63	39.78	2.66	53.06	53.21	3.56
12.92	13.06	.87	26.35	26.50	1.77	39.78	39.93	2.67	53.21	53.36	3.57
13.06	13.21	.88	26.50	26.65	1.78	39.93	40.08	2.68	53.36	53.51	3.58
13.21	13.36	.89	26.65	26.80	1.79	40.08	40.23	2.69	53.51	53.66	3.59

ASSIGNMENT SHEET #1

6.70% employee tax deductions

Wages at least	But less than	Tax to be withheld	Wages at least	But less than	Tax to be withheld	Wages at least	But less than	Tax to be withheld	Wages at least	But less than	Tax to be withheld
$53.66	$53.81	$3.60	$66.20	$66.35	$4.44	$78.74	$78.89	$5.28	$91.27	$91.42	$6.12
53.81	53.96	3.61	66.35	66.50	4.45	78.89	79.03	5.29	91.42	91.57	6.13
53.96	54.11	3.62	66.50	66.65	4.46	79.03	79.18	5.30	91.57	91.72	6.14
54.11	54.26	3.63	66.65	66.80	4.47	79.18	79.33	5.31	91.72	91.87	6.15
54.26	54.41	3.64	66.80	66.95	4.48	79.33	79.48	5.32	91.87	92.02	6.16
54.41	54.56	3.65	66.95	67.09	4.49	79.48	79.63	5.33	92.02	92.17	6.17
54.56	54.71	3.66	67.09	67.24	4.50	79.63	79.78	5.34	92.17	92.32	6.18
54.71	54.86	3.67	67.24	67.39	4.51	79.78	79.93	5.35	92.32	92.47	6.19
54.86	55.00	3.68	67.39	67.54	4.52	79.93	80.08	5.36	92.47	92.62	6.20
55.00	55.15	3.69	67.54	67.69	4.53	80.08	80.23	5.37	92.62	92.77	6.21
55.15	55.30	3.70	67.69	67.84	4.54	80.23	80.38	5.38	92.77	92.92	6.22
55.30	55.45	3.71	67.84	67.99	4.55	80.38	80.53	5.39	92.92	93.06	6.23
55.45	55.60	3.72	67.99	68.14	4.56	80.53	80.68	5.40	93.06	93.21	6.24
55.60	55.75	3.73	68.14	68.29	4.57	80.68	80.83	5.41	93.21	93.36	6.25
55.75	55.90	3.74	68.29	68.44	4.58	80.83	80.98	5.42	93.36	93.51	6.26
55.90	56.05	3.75	68.44	68.59	4.59	80.98	81.12	5.43	93.51	93.66	6.27
56.05	56.20	3.76	68.59	68.74	4.60	81.12	81.27	5.44	93.66	93.81	6.28
56.20	56.35	3.77	68.74	68.89	4.61	81.27	81.42	5.45	93.81	93.96	6.29
56.35	56.50	3.78	68.89	69.03	4.62	81.42	81.57	5.46	93.96	94.11	6.30
56.50	56.65	3.79	69.03	69.18	4.63	81.57	81.72	5.47	94.11	94.26	6.31
56.65	56.80	3.80	69.18	69.33	4.64	81.72	81.87	5.48	94.26	94.41	6.32
56.80	56.95	3.81	69.33	69.48	4.65	81.87	82.02	5.49	94.41	94.56	6.33
56.95	57.09	3.82	69.48	69.63	4.66	82.02	82.17	5.50	94.56	94.71	6.34
57.09	57.24	3.83	69.63	69.78	4.67	82.17	82.32	5.51	94.71	94.86	6.35
57.24	57.39	3.84	69.78	69.93	4.68	82.32	82.47	5.52	94.86	95.00	6.36
57.39	57.54	3.85	69.93	70.08	4.69	82.47	82.62	5.53	95.00	95.15	6.37
57.54	57.69	3.86	70.08	70.23	4.70	82.62	82.77	5.54	95.15	95.30	6.38
57.69	57.84	3.87	70.23	70.38	4.71	82.77	82.92	5.55	95.30	95.45	6.39
57.84	57.99	3.88	70.38	70.53	4.72	82.92	83.06	5.56	95.45	95.60	6.40
57.99	58.14	3.89	70.53	70.68	4.73	83.06	83.21	5.57	95.60	95.75	6.41
58.14	58.29	3.90	70.68	70.83	4.74	83.21	83.36	5.58	95.75	95.90	6.42
58.29	58.44	3.91	70.83	70.98	4.75	83.36	83.51	5.59	95.90	96.05	6.43
58.44	58.59	3.92	70.98	71.12	4.76	83.51	83.66	5.60	96.05	96.20	6.44
58.59	58.74	3.93	71.12	71.27	4.77	83.66	83.81	5.61	96.20	96.35	6.45
58.74	58.89	3.94	71.27	71.42	4.78	83.81	83.96	5.62	96.35	96.50	6.46
58.89	59.03	3.95	71.42	71.57	4.79	83.96	84.11	5.63	96.50	96.65	6.47
59.03	59.18	3.96	71.57	71.72	4.80	84.11	84.26	5.64	96.65	96.80	6.48
59.18	59.33	3.97	71.72	71.87	4.81	84.26	84.41	5.65	96.80	96.95	6.49
59.33	59.48	3.98	71.87	72.02	4.82	84.41	84.56	5.66	96.95	97.09	6.50
59.48	59.63	3.99	72.02	72.17	4.83	84.56	84.71	5.67	97.09	97.24	6.51
59.63	59.78	4.00	72.17	72.32	4.84	84.71	84.86	5.68	97.24	97.39	6.52
59.78	59.93	4.01	72.32	72.47	4.85	84.86	85.00	5.69	97.39	97.54	6.53
59.93	60.08	4.02	72.47	72.62	4.86	85.00	85.15	5.70	97.54	97.69	6.54
60.08	60.23	4.03	72.62	72.77	4.87	85.15	85.30	5.71	97.69	97.84	6.55
60.23	60.38	4.04	72.77	72.92	4.88	85.30	85.45	5.72	97.84	97.99	6.56
60.38	60.53	4.05	72.92	73.06	4.89	85.45	85.60	5.73	97.99	98.14	6.57
60.53	60.68	4.06	73.06	73.21	4.90	85.60	85.75	5.74	98.14	98.29	6.58
60.68	60.83	4.07	73.21	73.36	4.91	85.75	85.90	5.75	98.29	98.44	6.59
60.83	60.98	4.08	73.36	73.51	4.92	85.90	86.05	5.76	98.44	98.59	6.60
60.98	61.12	4.09	73.51	73.66	4.93	86.05	86.20	5.77	98.59	98.74	6.61
61.12	61.27	4.10	73.66	73.81	4.94	86.20	86.35	5.78	98.74	98.89	6.62
61.27	61.42	4.11	73.81	73.96	4.95	86.35	86.50	5.79	98.89	99.03	6.63
61.42	61.57	4.12	73.96	74.11	4.96	86.50	86.65	5.80	99.03	99.18	6.64
61.57	61.72	4.13	74.11	74.26	4.97	86.65	86.80	5.81	99.18	99.33	6.65
61.72	61.87	4.14	74.26	74.41	4.98	86.80	86.95	5.82	99.33	99.48	6.66
61.87	62.02	4.15	74.41	74.56	4.99	86.95	87.09	5.83	99.48	99.63	6.67
62.02	62.17	4.16	74.56	74.71	5.00	87.09	87.24	5.84	99.63	99.78	6.68
62.17	62.32	4.17	74.71	74.86	5.01	87.24	87.39	5.85	99.78	99.93	6.69
62.32	62.47	4.18	74.86	75.00	5.02	87.39	87.54	5.86	99.93	100.00	6.70
62.47	62.62	4.19	75.00	75.15	5.03	87.54	87.69	5.87			
62.62	62.77	4.20	75.15	75.30	5.04	87.69	87.84	5.88			
62.77	62.92	4.21	75.30	75.45	5.05	87.84	87.99	5.89			
62.92	63.06	4.22	75.45	75.60	5.06	87.99	88.14	5.90			
63.06	63.21	4.23	75.60	75.75	5.07	88.14	88.29	5.91			
63.21	63.36	4.24	75.75	75.90	5.08	88.29	88.44	5.92			
63.36	63.51	4.25	75.90	76.05	5.09	88.44	88.59	5.93			
63.51	63.66	4.26	76.05	76.20	5.10	88.59	88.74	5.94			
63.66	63.81	4.27	76.20	76.35	5.11	88.74	88.89	5.95			
63.81	63.96	4.28	76.35	76.50	5.12	88.89	89.03	5.96			
63.96	64.11	4.29	76.50	76.65	5.13	89.03	89.18	5.97			
64.11	64.26	4.30	76.65	76.80	5.14	89.18	89.33	5.98			
64.26	64.41	4.31	76.80	76.95	5.15	89.33	89.48	5.99			
64.41	64.56	4.32	76.95	77.09	5.16	89.48	89.63	6.00			
64.56	64.71	4.33	77.09	77.24	5.17	89.63	89.78	6.01			
64.71	64.86	4.34	77.24	77.39	5.18	89.78	89.93	6.02			
64.86	65.00	4.35	77.39	77.54	5.19	89.93	90.08	6.03			
65.00	65.15	4.36	77.54	77.69	5.20	90.08	90.23	6.04			
65.15	65.30	4.37	77.69	77.84	5.21	90.23	90.38	6.05			
65.30	65.45	4.38	77.84	77.99	5.22	90.38	90.53	6.06			
65.45	65.60	4.39	77.99	78.14	5.23	90.53	90.68	6.07			
65.60	65.75	4.40	78.14	78.29	5.24	90.68	90.83	6.08			
65.75	65.90	4.41	78.29	78.44	5.25	90.83	90.98	6.09			
65.90	66.05	4.42	78.44	78.59	5.26	90.98	91.12	6.10			
66.05	66.20	4.43	78.59	78.74	5.27	91.12	91.27	6.11			

The multiples of the withholding for FICA on $100 are

Wage	Tax to be withheld
$100	$6.70
200	13.40
300	20.10
400	26.80
500	33.50
600	40.20
700	46.90
800	53.60
900	60.30
1,000	67.00

COMPENSATING EMPLOYEES
UNIT V

ASSIGNMENT SHEET #2--GIVE ADVICE TO AN EMPLOYEE REGARDING PAY

NAME ____ SCORE __________________

Most of the record keeping involving payroll is maintained by clerks who work out of the firm's administrative office. Even though supervisors may not actually perform the job of determining their subordinates' wages, it is important that record keeping procedures be understood by all managers so that they will be able to handle payroll questions raised by their staffs. It is easiest to refer all questions to the office workers; but oftentimes employees, especially those employed part-time, begin working after all office workers have gone home. The supervisor may be the only person around of whom payroll questions may be asked; and when employees have payroll questions, they usually want answers immediately--not tomorrow between 8:30 A.M. and 5:00 P.M.

In this assignment you are to assume the role of a supervisory manager who has an employee with a couple of concerns about her pay check. Read the situation and answer the questions that follow.

PART I--Read the situation

You work as a department manager for Crase Company. Crase's annual employee benefit package for all full-time employees includes three paid holidays; five paid sick days; one to three weeks paid vacation, depending on years with the company; time and one half for all hours worked over 40 in a week; and optional group health and life insurance plans. The company pays employees every two weeks.

Rachel Collette is an employee who works in your department. Rachel was married a week ago and expected to have less taken out of her check than she did as a single employee. Also she is concerned that she was not paid time and one half for working last Saturday. As her department manager, you check the appropriate records and find the following information.

ASSIGNMENT SHEET #2

NO. 37

NAME Rachel Collette PAY END 2/16/82

REG. TIME HRS. 45 RATE $ 4.80 AMT. $ 216.00

OVERTIME HRS.

TOTAL EARNINGS $ 216.00

DAY	IN	OUT	IN	OUT	HOURS WORKED REG.	HOURS WORKED O.T.	DAILY TOTAL
M							
T	8:59	12:31	1:00	5:31	8		8
W	1:00	5:02	5:30	9:28	8		8
R	12:58	4:59	5:32	9:31	8		8
F	8:59	12:31	1:01	5:30	8		8
S	12:59			6:01	5		5
S							

COMMENTS: Personal leave-1 day
(pay 8 hours--regular rate)

Smj

NO. 37

NAME Rachel Collette PAY END 2/9/82

REG. TIME HRS. 40 RATE $ 4.80 AMT. $ 192.00

OVERTIME HRS.

TOTAL EARNINGS $ 192.00

DAY	IN	OUT	IN	OUT	HOURS WORKED REG.	HOURS WORKED O.T.	DAILY TOTAL
M	8:59	12:30	1:00	5:31	8	—	8
T	8:57	12:28	12:59	5:30	8	—	8
W	12:59	5:00	5:30	9:30	8	—	8
R							
F							
S							
S							

COMMENTS: Personal leave-2 days
(pay 16 hours-regular rate)

Smj

ASSIGNMENT SHEET #2

Form **W-4** (Rev. October 1979)

Department of the Treasury—Internal Revenue Service

Employee's Withholding Allowance Certificate

Print your full name ▶ RACHEL MARIE COLLETTE | Your social security number ▶ 420 : 00 : 024

Address (including ZIP code) ▶ 2074 Elm Street Yourtown, OK 79002

Marital status: ☒ Single ☐ Married ☐ Married, but withhold at higher Single rate

Note: *If married, but legally separated, or spouse is a nonresident alien, check the single block.*

1 Total number of allowances you are claiming (from line F of the worksheet on page 2)	0
2 Additional amount, if any, you want deducted from each pay (if your employer agrees)	$ -0-
3 I claim exemption from withholding because (see instructions and check boxes below that apply):	
a ☐ Last year I did not owe any Federal income tax and had a right to a full refund of ALL income tax withheld, AND	
b ☐ This year I do not expect to owe any Federal income tax and expect to have a right to a full refund of ALL income tax withheld. If both a and b apply, enter "EXEMPT" here . . . . ▶	
c If you entered "EXEMPT" on line 3b, are you a full-time student?	☐ Yes ☐ No

Under the penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or if claiming exemption from withholding, that I am entitled to claim the exempt status.

Employee's signature ▶ Rachel Marie Collette Date ▶ January 6, 1982

Employer's name and address (including ZIP code) (FOR EMPLOYER'S USE ONLY): Crase Company, 1612 Main Street, Yourtown, OK 79002

Employer identification number: 73-0008432

ASSIGNMENT SHEET #2

PART II--Answer the following questions

A. Assuming Rachel normally works 40 hours per week, what is her regular gross salary per pay period?

B. Should Rachel have less taken out of her check since she has married?

(NOTE: Use the wage-bracket table for withholding tax in Assignment Sheet #1.)

1. What is the amount regularly withheld for Rachel as a single employee?

2. What is the amount that will be withheld for Rachel as a married employee?

C. What advice do you have for Rachel in regard to her W-4?

D. Should Rachel be paid overtime for working Saturday of the second week of the pay period? Explain your answer.

COMPENSATING EMPLOYEES
UNIT V

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

PART I--Time cards

NO. 01

NAME Leslie Gerome **PAY END** Dec. 18, 198-

REG. TIME HRS. 25 1/2 **RATE** $3.75 **AMT.** $95.63

OVERTIME HRS.

TOTAL EARNINGS $95.63

DAY					HOURS WORKED		DAILY TOTAL
	IN	OUT	IN	OUT	REG.	O.T.	
MO			5:00	9:15	4 1/4		4 1/4
TU							—
WE			4:58	9:15	4 1/4		4 1/4
TH			4:28	9:30	5		5
FR							—
SA	8:30	11:30	12:31	4:30	7		7
SU			1:00	6:00	5		5

COMMENTS:

NO. 02

NAME Lee Harvey **PAY END** Dec. 18. 198-

REG. TIME HRS. 40 **RATE** $5.60 **AMT.** $224.00

OVERTIME HRS. 1/4 $8.40 2.10

TOTAL EARNINGS $226.10

DAY					HOURS WORKED		DAILY TOTAL
	IN	OUT	IN	OUT	REG.	O.T.	
MO	8:00	11:31	12:30	4:59	8		8
TU	7:59	11:59	1:00	5:02	8		8
WE	7:57	12:00	12:59	5:13	8 1/4		8 1/4
TH	8:02	11:30	12:30	5:00	8		8
FR	8:00	11:29	12:30	4:58	7 3/4	1/4	8
SA							–
SU							–

COMMENTS:

ANSWERS TO ASSIGNMENT SHEETS

NO. 03

NAME David Anderson PAY END Dec. 18.198-

REG. TIME HRS. 39 1/2 RATE $5.86 AMT. $231.47

OVERTIME HRS.

TOTAL EARNINGS $231.47

DAY	IN	OUT	IN	OUT	HOURS WORKED REG.	HOURS WORKED O.T.	DAILY TOTAL
MO	7:30	11:30	12:29	5:00			8 1/2
TU							—
WE	9:00	1:02	2:00	6:03			8
TH	8:58	1:00	2:00	6:00			8
FR	9:00	1:30	2:30	7:05			9
SA							—
SU			12:30	6:30			6

COMMENTS:

I need January 2-8 off work for vacation

David Anderson

NO. 04

NAME Lynn Thomas PAY END Dec. 18,198-

REG. TIME HRS. 33 1/4 RATE $4.24 AMT. $140.98

OVERTIME HRS.

TOTAL EARNINGS $140.98

DAY	IN	OUT	IN	OUT	HOURS WORKED REG.	HOURS WORKED O.T.	DAILY TOTAL
MO	11:28			4:30	5		5
TU	8:58	12:30	1:29	5:30	7 1/2		7 1/2
WE					—		—
TH			6:00	9:15	3 1/4		3 1/4
FR	11:30	2:00	2:58	9:00	8 1/2		8 1/2
SA	8:00	12:15	1:14	6:00	9		9
SU							—

COMMENTS:

ANSWERS TO ASSIGNMENT SHEETS

NO.05

NAME Ira Wells PAY END Dec. 18, 198

REG. TIME HRS. 39 1/2 RATE $4.50 AMT. $ 177.75

OVERTIME HRS.

TOTAL EARNINGS $177.75

DAY					HOURS WORKED		DAILY TOTAL
	IN	OUT	IN	OUT	REG.	O.T.	
MO							—
TU	2:00	4:29	5:00	9:02			6 1/2
WE	11:30	4:01	4:58	9:00			8 1/2
TH	9:59	2:02	3:01	7:00			8
FR			4:00	9:15			5 1/4
SA			4:00	9:15			5 1/4
SU			12:30	6:30			6

COMMENTS:

ANSWERS TO ASSIGNMENT SHEETS

PART II--Payroll register

PAYROLL REGISTER

WEEK ENDING December 18, 198--

DATE PAID ____________

NO	EMPLOYEE'S NAME LAST, FIRST	W-4 ALLOW	RATE /HR.	HOURS WORKED REG	HOURS WORKED O.T.	HOURS WORKED TOT.	GROSS WAGES REGULAR		GROSS WAGES OVERTIME		GROSS WAGES TOTAL		DEDUCTIONS FED TAX		STATE TAX		FICA TAX		INSURANCE		OTHER		TOTAL DEDUCTIONS		NET PAY		CK. NO.
01	GEROME, LESLIE	S-0	3.75	25½	—	25½	95	63		—	95	63	9	90		81	6	41					17	12	78	51	
02	HARVEY, LEE	M-2	5.60	40	1/4	40¼	224	00	2	10	226	10	20	40	1	72	15	15					37	27	188	83	
03	ANDERSON, DAVID	M-0	5.86	39½	—	39½	231	47		—	231	47	29	20	2	59	15	51					47	30	184	17	
04	THOMAS, LYNN	S-1	4.24	33¼	—	33¼	140	98		—	140	98	15	10	1	54	9	45					26	09	114	89	
05	WELLS, IRA	M-1	4.50	39½	—	39½	177	75		—	177	75	15	50	1	31	11	91					28	72	149	03	
	TOTALS			177¾	¼	178	869	83	2	10	871	93	90	10	7	97	58	43					156	50	715	43	

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #2

PART I--Evaluated to the satisfaction of the instructor

PART II

A. $384.00 ($4.80 x 40 hours = $192.00 x 2 weeks = $384.00)

B. Yes

  1. $58.90

  2. $43.60

C. Rachel should update her W-4 to show that she is married. She does not have to claim zero allowances; but if she does, they will hold more out of her check to cover income tax payments later in the year

D. No. Rachel worked only 37 hours during the second week of the pay period. The eight hours of personal/vacation leave time was paid according to company policy, but is considered time off-duty; and the company is not required to count it toward determining overtime

COMPENSATING EMPLOYEES
UNIT V

TEST

NAME ____________________________ SCORE ______________

1. Match terms associated with compensating employees to their correct definitions. Write the correct numbers in the blanks.

_____a. Take home pay; pay after all deductions are made

_____b. Federal law which established minimum wage and straight time/overtime regulations

_____c. Free from rules, regulations, or practices which are required of others

_____d. All time worked over 40 hours in any single week

_____e. Actual time spent working for a company

_____f. Span of time for which pay is calculated

_____g. Amount being paid for comparable work by other firms in an industry or local geographic area

_____h. Pay before deductions are subtracted

_____i. An individual under 18 years of age

_____j. Regular hourly wages calculated on a maximum of 40 hours per week

_____k. Time not committed to work; time employees can effectively use for personal activities

_____l. Amount a salesperson is expected to sell in order to earn his or her salary

1. Exempt
2. Fair Labor Standards Act
3. Going rate
4. Gross wages
5. Minor child
6. Net pay
7. Off-duty time
8. Overtime
9. Pay period
10. Quota
11. Straight-time wages
12. Time suffered or permitted to work

2. Discuss three reasons for establishing a sound compensation plan.

a. Attract competent employees--________________________________

____

____

TEST

b. Recognize employee performance--______________________________

____

____

____

____

c. Retain experienced personnel--______________________________

____

____

____

____

3. Distinguish among types of compensation plans. Write a "T" in the blanks before characteristics of time wage plans, a "C" before characteristics of commission plans, and a "P" in the blanks before characteristics of piece rate plans.

_____a. Expressed in relation to specific time periods

_____b. Determined by multiplying the number of pieces produced by the rate paid per piece

_____c. Based upon the number of hours the employee works

_____d. Based upon a percentage of sales made by the employee

_____e. Must be enough to yield the minimum wage per hour

_____f. Frequently paid as a bonus for sales over an established quota

4. Distinguish between classifications of time used in determining work for pay. Write an "S" in the blanks before time suffered or permitted to work, and an "O" in the blanks before time off duty.

_____a. Usually includes training programs if employee is not required to attend

_____b. All training programs if employee is required to attend

_____c. Usually includes short rest breaks 10 to 15 minutes long

_____d. Usually includes lunch periods 30 minutes or longer

_____e. Time spent at work, even if beyond scheduled time

_____f. Time spent at home on work if management authorized or otherwise knew of home work activities

_____g. Time the employee may use for personal reasons

TEST

5. Match payroll records used in determining time worked to their correct descriptions. Write the correct numbers in the blanks.

_____a. Used by businesses that pay on piece-rate basis and where employees are paid by completion of a job

_____b. Most common system used for recording employee work hours

_____c. Used in businesses that do not have time card system to record hours as required by the Fair Labor Standards Act

1. Production records
2. Time cards
3. Time record

6. Describe payroll information required by the Fair Labor Standards Act.

a. Employee personal data--______________________________

____

____

____

b. Hourly record of time suffered or permitted to work--______________

____

____

____

____

c. Wage or salary information--______________________________

____

____

____

____

____

____

____

____

TEST

7. Match titles of payroll records to correct information regarding each. Write the correct numbers in the blanks.

______a. Summarizes personal information about each employee

______b. Summarizes pay period information for all employees

______c. Usually printed on card-stock paper

______d. Summarizes payroll information for individual employees during each pay period of the quarter

______e. Used as a primary reference for writing quarterly and annual reports required under the Fair Labor Standards Act

______f. Usually kept in either personnel or payroll department

______g. Provides quick reference check on total payroll expenses for a pay period

1. Employee earning record
2. Payroll register
3. Personnel record card

8. State rules for paying employees upon termination.

a. ____

____

b. ____

____

9. List five common benefits offered by businesses.

a. ____

b. ____

c. ____

d. ____

e. ____

(NOTE: Test questions 10 and 11 are the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

10. Complete payroll forms.

11. Give advice to an employee regarding pay.

COMPENSATING EMPLOYEES
UNIT V

ANSWERS TO TEST

1. a. 6
   b. 2
   c. 1
   d. 8
   e. 12
   f. 9
   g. 3
   h. 4
   i. 5
   j. 11
   k. 7
   l. 10

2. Discussion should include

   a. Attract competent employees

      1) Competent employees are in demand

      2) Recruiting, hiring, and training costs may be reduced

   b. Recognize employee performance

      1) Companies must provide equal pay for equal work

      2) Pay should be established according to job responsibilities

      3) Bonuses may be provided to reward exceptional performance

      4) Performance appraisals are encouraged

   c. Retain experienced personnel

      1) Experienced, qualified employees are generally more productive than new workers

      2) Experienced employees require less supervision and training time

      3) Although pay may not necessarily be a work motivator, low pay may be a cause of employee dissatisfaction

3. a. T
   b. P
   c. T
   d. C
   e. P
   f. C

4. a. O
   b. S
   c. S
   d. O
   e. S
   f. S
   g. O

ANSWERS TO TEST

5. a. 1
   b. 2
   c. 3
6. Description should include
   a. Employee personal data
      1) Employee's full legal name
      2) Home address
      3) Date of birth if a minor child
      4) Sex
      5) Job description
   b. Hourly record of time suffered or permitted to work
      1) Day and hour work began and ended
      2) Any off-duty periods
      3) Total hours worked during pay period
   c. Wage or salary information
      1) Basis on which compensation is paid
      2) Straight-time wages
      3) Overtime earnings
         a) Businesses are required to pay one and a half times regular rate of pay for overtime hours
         b) Non-work hours do not have to count toward overtime
      4) Deductions from gross wages
      5) Additions to gross wages
      6) Total pay each regular pay period
      7) Dates covered in pay period
      8) Date(s) employees receive payment

ANSWERS TO TEST

7. a. 3
   b. 2
   c. 3
   d. 1
   e. 1
   f. 3
   g. 2

8. a. If employee is fired, payment in full should be given at time of dismissal
   b. If employee quits, payment should be given at next regular payday or within five days of termination, upon demand

9. Any five of the following
   a. Group life and/or health insurance programs
   b. Paid vacations
   c. Paid sick days
   d. Pension plans
   e. Paid "personal" days and jury duty
   f. Paid military leave for short duty
   g. Bonuses
   h. Incentive pay
   i. Profit sharing; stock options

10. Evaluated to the satisfaction of the instructor

11. Evaluated to the satisfaction of the instructor

LABOR RELATIONS
UNIT VI

UNIT OBJECTIVE

After completing this unit, the student should be able to analyze situations dealing with labor relations. This knowledge will be shown by completing the assignment sheet and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with labor relations to their correct definitions.
2. Select from a list statements that deal with the labor movement in the United States.
3. Distinguish between objectives of management and labor.
4. Match reasons employees join labor unions to examples of each.
5. Discuss ways labor unions affect management.
6. Match types of union security clauses to their correct descriptions.
7. Arrange in order steps taken by employees to organize a labor union.
8. Distinguish between activities of labor and management in the bargaining process.
9. Distinguish between do's and don'ts for supervisors when dealing with labor.
10. Name federal legislative acts dealing with labor-management relations.
11. Analyze a situation dealing with labor relations.

LABOR RELATIONS
UNIT VI

SUGGESTED ACTIVITIES

I. Suggested activities

   A. Order films, games, and other materials to supplement unit.

   B. Provide students with objective sheet.

   C. Provide students with information and assignment sheets.

   D. Discuss unit and specific objectives.

   E. Discuss information and assignment sheets.

   F. Invite a representative from the National Labor Relations Board to speak to your class on the functions and activities of the NLRB.

   (NOTE: Have students prepare questions in advance.)

   G. Give test.

   H. Reteach and retest if necessary.

II. Instructional materials

   A. Objective sheet

   B. Suggested activities

   C. Information sheet

   D. Assignment Sheet #1--Analyze a Situation Dealing with Labor Relations

   E. Answers to assignment sheet

   F. Test

   G. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Kirkpatrick, Charles A., and Frederick A. Russ. *Business.* Chicago: Science Research Associates, Inc., 1978.

C. *Webster's New Collegiate Dictionary.* Springfield: G. & C. Merriam Company, 1979.

LABOR RELATIONS
UNIT VI

INFORMATION SHEET

I. Terms and definitions

A. Arbitration--Process of settling labor disputes whereby management and labor agree in advance that they will follow the decision of a third party

B. Arbitrator--Individual selected jointly by labor and management to decide how to handle a labor dispute

(NOTE: Although arbitration may be left to one individual as the arbitrator, it is more likely that an arbitration board would be selected. These boards are usually made up of three people: One represents labor, one represents management, and the third person is agreeable to both labor and management.)

C. Boycott--Refusal on the part of union members to purchase products from a company whose employees are on strike

D. Collective bargaining--Negotiation between management and union representatives usually on matters involving wages, hours, and work conditions

E. Featherbed--Unfair union practice of requiring employers to pay for work employees have not done

(NOTE: This activity was made illegal by the Taft-Hartley/Labor Management Relations Act of 1947.)

F. Injunction--Court order directing a person or group to do or to refrain from doing a specified activitiy

G. Labor contract--Written agreement between labor and management which lays out negotiated terms in respect to wages, benefits, and work conditions

H. Labor union--Organization of workers formed for the purpose of advancing its members' interests in respect to wages, benefits, and work conditions

I. Lobby--Process of influencing public officials to pass legislation which favors a group's cause

J. Lockout--Work stoppage where management locks the doors to the business and refuses to let workers enter until they withdraw their demands

K. Mediation--Process of settling labor disputes where labor and management listen to the advice of a disinterested third party; however, they are not bound by the suggestions of the third party

INFORMATION SHEET

L. National Labor Relations Board (NLRB)--Federal agency established to administer the provisions of the National Labor Relations Act of 1935

(NOTE: The NLRB has the authority to conduct secret ballot elections for company employees who are seeking union representation or decertification and to act as a third party in the negotiations process.)

M. Negotiation--Process where labor and management confer with one another in an effort to settle labor disputes

N. Notice of petition--Form used by labor unions to inform a company's management that its employees are considering unionization

O. Picket--Labor activity where union members position themselves at, or near the entrance of a business for the purpose of inducing others not to enter

P. Racketeering--Illegal practice of gaining advantages by threats, violence, blackmail, or by unlawful interference with business or employment

Q. Slowdown strike--Labor activity where union members continue to work but at a reduced rate

R. Strike--Refusal of employees to work until their demands are met

II. Labor movement in the United States

A. Trade union movement began with craft industries in the late 1700's

EXAMPLES: Shoemakers, stonecutters, carpenters

1. Unions were legalized during the mid-1800's

2. By 1870 there were some 300 labor unions in the United States

(NOTE: Most were local organizations, but a few national unions began to appear.)

B. Early unions were generally ineffective in settling disputes between employers and workers

1. Employers took hostile actions against employees who took part in early union activities

2. There were few laws protecting employees' rights to join early unions

C. Many positive legislative actions took place from 1935-1960 which encouraged union growth

EXAMPLES: National Labor Relations Act, Fair Labor Standards Act, Taft-Hartley Act, Landrum-Griffin Act

D. Today, approximately one-quarter of our nation's labor force belongs to union organizations

INFORMATION SHEET

III. Objectives of management and labor

A. Objectives of management

1. Encourage high productivity among employees

   (NOTE: Productive employees can make increased profits for the business.)

2. Decrease payroll expenses

3. Retain management rights

   EXAMPLES: What to produce/sell, job descriptions, pricing policies, basic company rules

4. Discourage unionization

   (NOTE: The best way to discourage unionization is to use fair and equitable employee practices.)

B. Objectives of labor unions

1. Increase wages

2. Decrease work hours

3. Increase benefits

4. Improve work conditions

5. Increase job security

6. Promote its membership

   (NOTE: This is necessary for the union in order for the organization to continue.)

IV. Reasons employees join labor unions

(NOTE: "Union shop" firms require that employees join a union as a condition of employment, however, these shops are few.)

A. Economic motivations--Increases in wages, benefits, and work hours

B. Psychological motivations

1. Freedom to speak out

2. Increased job security

C. Social motivations

1. Feeling of belonging

2. Status

INFORMATION SHEET

V. Ways labor unions affect management

   A. Management's freedom in decision-making is reduced

      1. Management must follow agreements set in labor contracts

      2. Unions sometimes try to influence management to make business arrangements that best meet their cause

      3. Management may find it difficult to terminate an incompetent employee

         (NOTE: This has forced management to become more adept at interviewing and training.)

   B. Management must take time to deal with union officials

      1. Management must take time to prepare for negotiation sessions

      2. Management is required to spend time with union leaders during negotiations

   C. Management tends to lose contact with individual employees

      1. Management deals with one or two union leaders who speak for all members

      2. Unions insist on the same treatment for all employees

         (NOTE: This tends to emphasize seniority and de-emphasize initiative and productivity.)

VI. Types of union security clauses

   (NOTE: The union security clause of the employment contract states condition of employment between a company and labor union.)

   A. Closed Shop--Employee must be a union member before being hired

      (NOTE: These were banned under the Labor Management Act of 1947.)

   B. Union Shop--Employee must join the union within a certain number of days after being employed by the company

      (NOTE: This is the most common form of labor union in Oklahoma. Under section 1413 of the Labor Management Relations Act, states may pass "Right to work" laws, making it illegal to require an employee to become a part of a union. Oklahoma is a "Right to work" state.)

   C. Agency Shop--Employees do not have to join a union, but are required to pay dues

   D. Maintenance of Membership Agreement--Employees are required to remain union members during the period under contract

INFORMATION SHEET

VII. Steps taken by employees to organize a labor union

(NOTE: Managers should not attempt to face unionization activities without seeking legal advice. *A lawyer should be called upon to help in labor union matters.* It is best, however, for management to look for signs of possible dissatisfaction and to take appropriate corrective action long before employees even consider unionizing.)

A. Employees send representative(s) to union offices to get help in organizing

B. Union representatives get at least 30 percent of work force to sign a notice of petition

(NOTE: Employees may be asked to seek out signatures from co-workers.)

C. Union officials send a letter to the company's management advising that both labor and management are protected under the Labor-Management Relations Act (1947)

D. Employees send petition to the National Labor Relations Board

E. Management and legal advisor(s) verify the signatures on the list

(NOTE: If there are fewer than 30 percent valid employee signatures, labor is given only 48 hours to get additional signatures.)

F. Union officials, labor, and management establish date for election, usually 30-60 days after petition date

G. NLRB conducts secret ballot representation election

(NOTE: The NLRB also conducts decertification elections when employees no longer want to be represented by their union.)

H. Majority of those voting pass or reject unionization

(NOTE: It is not necessary for a majority of all employees to vote for the union, so long as a majority of employees voting are in favor of union representation. The number participating in the vote must be a substantial percentage of total employees; however, the number to win may be less than a majority.)

I. *If certified by the NLRB,* union representatives immediately take over negotiations for employees

J. If vote goes against unionization, there is a 12 month "cooling off" period before another election for unionization may take place

INFORMATION SHEET

VIII. Activities of labor and management in the bargaining process

- A. Joint activities of labor and management
  1. Collective bargaining
  2. Mediation
  3. Arbitration
- B. Labor practices against management
  1. Strike
  2. Picket
  3. Slowdown
  4. Boycott
  5. Featherbed
  6. Lobby
- C. Management practices against labor
  1. Lockout
  2. Injunction
  3. Hiring new workers
  4. Lobby

IX. Do's and don'ts for supervisors when dealing with labor (Assignment Sheet #1)

(NOTE: Management must always give facts and never threaten employees for participating in union activities.)

- A. Activities that supervisors can do
  1. Advise employees that management would prefer to continue dealing with them directly than to deal with an outside union organization
  2. Tell employees about the benefits they presently enjoy

     (NOTE: Avoid making promises or threats.)
  3. Tell employees how their wages, benefits, and working conditions compare with other companies in the area, whether unionized or not

INFORMATION SHEET

4. Tell employees some of the disadvantages of belonging to a union

   EXAMPLES: Expense of initiation fees and monthly dues, membership rules restricting freedom, loss of the right to make own decisions on matters involving wages, hours, and other working conditions

5. Tell employees that management is always willing to discuss anything of interest to both parties

6. Inform employees that any strike by the union may cost them money in lost wages

7. Tell employees that the law permits the company to hire a permanent replacement for anyone who engages in an economic strike

8. Tell employees that in negotiating with the union the company does not have to agree to all of the union's terms and certainly not to any terms which are not in the economic interest of the business

   (NOTE: If the union's campaign propaganda to employees contains a promise of obtaining increased wages, and the company believes that such wages would impair the profitable operation of the business, that view should be made clear to employees and reasons should be given.)

9. Tell employees about any experience management may have had with unions, especially the union seeking to represent the employees

10. Tell employees anything management knows about the union or its officers

11. Tell employees management's opinion about union policies and union leaders, even though it may be in uncomplimentary terms

12. Tell employees about any untrue or misleading statements made by an organizer, or in a handbill, or through any other medium of union propaganda

13. Tell employees that, in management's opinion, the International union will try to dominate the local union, or at least try to influence local members

14. Tell employees about known racketeering, or other undesirable activities in the union

15. Distribute reprints of articles containing information about unions or facts revealed through Congressional hearings relating to union activities

16. Tell employees that they are free to join or not to join any organization without prejudice to their status with the company

INFORMATION SHEET

17. Tell employees that merely signing a union authorization card or application for membership does not mean that they must vote for the union in an election

18. Tell employees about the National Labor Relations Board election procedures, the importance of voting, and the secrecy of the ballot

19. Tell employees that the company favors the principle that union membership should be voluntary and not compulsory

20. Tell employees about their legal rights

21. Campaign against a union seeking representation of employees

B. Activities that supervisors cannot do

1. Promise employees a pay increase, promotion, betterment, benefit, or special favor if they stay out of the union or vote against it

2. Threaten or actually discharge, discipline, or lay off an employee because of activities in behalf of the union

3. Tell employees that the business will close, move, or reduce hours of operations if a union is selected as a representative

4. Spy on union meetings

   (NOTE: Parking across the street from a union hall to watch employees entering the hall would be suspect.)

5. Conduct management in such a way to indicate to employees that management is watching them to determine whether or not they are participating in union activities

6. Discriminate against employees actively supporting the union by intentionally assigning undesirable work to the union employee

7. Transfer employees because of union affiliation

8. Favor non-union employees over employees active in behalf of the union

9. Discipline or penalize employees actively supporting a union for an infraction which non-union employees are permitted to commit without being disciplined in the same way

10. Make work assignments for the purpose of prodding employees who have been active on behalf of the union to quit their jobs

11. Select employees to be laid off with the intention of curbing the union's strength, or to discourage affiliation with it

INFORMATION SHEET

12. Ask employees for an expression of their thoughts about a union or its officers

13. Ask employees how they intend to vote in regard to union organization

14. Ask employees at time of hiring, or thereafter, whether they belong to a union or have signed a union application or authorization card

15. Ask employees about the internal affairs of unions

    (NOTE: Employees may, of their own accord, walk up and tell of such matters. It is not an unfair labor practice to listen, but management must not ask questions to obtain additional information.)

16. Tell employees that management will not deal with the union

17. Urge employees to try to persuade others to oppose the union or stay out of it

18. Prevent employees from soliciting union memberships during their free time on company premises

19. Give financial support or assistance to a union, its representatives, or employees

20. Visit the homes of employees for the purpose of urging them to reject the union

21. Make speeches to massed assemblies of employees on company time within the 24-hour period before the opening of polls for a representation election

22. Speak to an employee in the office of a management official about the union campaign and urge him or her to vote against the union

    (NOTE: The best place to talk to employees about such matters is at their work stations, work areas, or in public areas where other employees are present.)

23. Help employees to withdraw union memberships

24. Ask employees to identify the leader of employees favoring a union

X. Federal legislative acts dealing with labor-management relations

   A. National Labor Relations Act (1935)

      1. Commonly called the Wagner Act

      2. Guaranteed the right of workers to organize unions

INFORMATION SHEET

3. Guaranteed the right of unions to participate in collective bargaining with management

4. Created the National Labor Relations Board

B. Fair Labor Standards Act (1938)

1. Often referred to as the Wage and Hour Law

2. Deals with payment for overtime work and minimum wage rates for certain types of employees

EXAMPLES: Those employees in businesses which engage in interstate commerce, employees of retail and service businesses which have gross sales in excess of $365,000 (January 1, 1982)

C. Labor-Management Relations Act (1947)

1. Also known as the Taft-Hartley Act

2. Established guidelines to balance the power between management and unions

EXAMPLES: Unions could no longer threaten employees who did not join the union; management could not discriminate against employees who joined unions; this act required collective bargaining for both labor and management

3. Made featherbedding illegal

4. Banned closed shops

5. Made it possible for unions to be sued for breach of contract

D. Management Reporting and Disclosure Act (1959)

1. Commonly called the Landrum-Griffin Act

2. Protects the rights of the rank-and-file members of labor unions

EXAMPLES: Guarantees members' rights to participate in union activities, to be informed of union agreements, and to have fair hearings regarding disciplinary actions

3. Required that unions file an annual report on their financial situations

4. Required that employers file an annual report dealing with any payments made or received which relate to employees' rights to unionize and to bargain collectively

INFORMATION SHEET

E. Equal Pay Act (1963)

1. Applies to all businesses subject to the Fair Labor Standards Act provisions
2. Requires businesses to pay equal amounts to both male and female employees who are engaged in the same or very similar activities

   (NOTE: Pay must be the same for male and female employees doing work which requires equal skill, effort, responsibility, and working conditions.)

F. Civil Rights Act (1964)--Prohibits businesses from discriminating against employees or applicants because of sex, race, color, religion, or national origin

(NOTE: This section of the Civil Rights Act is commonly called the Equal Employment Opportunity clause.)

G. Age Discrimination in Employment Act (1967, amended 1977)--Protects individuals between the ages of 40 and 70 from employment discrimination

H. Public Law 95-555 (1978)--Requires that pregnancy be treated as an illness in any benefit plan

(NOTE: This is required only if the company has a health benefit plan.)

LABOR RELATIONS
UNIT VI

ASSIGNMENT SHEET #1--ANALYZE A SITUATION DEALING WITH LABOR RELATIONS

NAME ______________________________ SCORE ____________

Specific regulations for establishing labor unions are set down in the Labor-Management Relations Act (Taft-Hartley Act). The purpose of the act is to give employees the right to organize so as to bargain collectively for better working conditions, pay, benefits, and hours. Generally speaking, any company which falls under the child labor/federal minimum wage laws is also required to follow regulations passed in the Labor-Management Relations Act. The government agency established to administer the Labor-Management Relations Act is the National Labor Relations Board (NLRB). The NLRB has responsibility for preventing and remedying unfair labor practices committed by businesses and unions. The board is a non-partisan, unbiased group of individuals who are appointed to hear cases dealing with labor relations.

In this assignment you are given a case study and several questions relating to the situation. Read the case study and answer each question given.

PART I--Read the case study.

In a recent effort to gain union representation, employees of the Gemeni Grocery Company signed a notice of petition and submitted it to management. Gemeni Grocery has 348 employees. Upon validating signatures, management found 102 signatures by eligible employees. The company's general manager sent a letter to the union rejecting the petition on the grounds that there were not enough valid signatures on the petition.

PART II--Answer the following questions.

A. Was Gemeni's management right in rejecting the petition? Explain. ______________

____

____

____

B. What is the least number of valid signatures that must be permitted before there is a vote to unionize? ______________________________

C. Assume that a sufficient number of signatures has been collected and a vote is taken for union certification.

   1. Who will conduct the election? ______________________________

      ____

   2. How will the election take place?

      EXAMPLES: Show of hands, secret ballot, voice vote

      ____

ASSIGNMENT SHEET #1

D. Assume that 152 employees vote for unionization and 144 vote against it.

1. Would the union become a representative for Gemeni's employees? Explain.

___

___

___

2. Would management be required to negotiate with the union? Explain.

___

___

___

E. What federal agency would be called upon to prevent and remedy unfair labor practices committed by business and unions?

___

LABOR RELATIONS
UNIT VI

ANSWERS TO ASSIGNMENT SHEET

Assignment Sheet #1

A. Yes; to have 30 percent of all employees, as required by law, the employee representatives would have to have 104 valid signatures on the petition

B. 104

C. 1. National Labor Relations Board

   2. Secret ballot

D. 1. Yes; although 152 is not a majority of the total work force, it is a majority of the 296 who voted; the law states that a sufficient number must take part in the election for it to be valid, and that a simple majority (50 percent + 1, 149 in this case) of those voting will determine the outcome of the election

   2. Yes; under the National Labor Relations Act (1935) unions are guaranteed the right to participate in collective bargaining with management

E. National Labor Relations Board

LABOR RELATIONS
UNIT VI

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with labor relations to their correct definitions. Write the correct numbers in the blanks. Terms and definitions are continued on the next page.

_____a. Organization of workers formed for the purpose of advancing its members' interests in respect to wages, benefits, and work conditions

_____b. Work stoppage where management locks the doors to the business and refuses to let workers enter until they withdraw their demands

_____c. Unfair union practice of requiring employers to pay for work employees have not done

_____d. Refusal on the part of union members to purchase products from a company whose employees are on strike

_____e. Process of settling labor disputes whereby management and labor agree in advance that they will follow the decision of a third party

_____f. Negotiation between management and union representatives usually on matters involving wages, hours, and work conditions

_____g. Court order directing a person or group to do or to refrain from doing a specified activity

_____h. Individual selected jointly by labor and management to decide how to handle a labor dispute

_____i. Process of influencing public officials to pass legislation which favors a group's cause

_____j. Written agreement between labor and management which lays out negotiated terms in respect to wages, benefits, and work conditions

1. Arbitration
2. Arbitrator
3. Boycott
4. Collective bargaining
5. Featherbed
6. Injunction
7. Labor contract
8. Labor union
9. Lobby
10. Lockout

TEST

______k. Process where labor and management confer with one another in an effort to settle labor disputes

______l. Labor activity where union members position themselves at, or near the entrance of a business for the purpose of inducing others not to enter

______m. Labor activity where union members continue to work but at a reduced rate

______n. Process of settling labor disputes where labor and management listen to the advice of a disinterested third party; however, they are not bound by the suggestions of the third party

______o. Refusal of employees to work until their demands are met

______p. Illegal practice of gaining advantages by threats, violence, blackmail, or by unlawful interference with business or employment

______q. Federal agency established to administer the provisions of the National Labor Relations Act of 1935

______r. Form used by labor unions to inform a company's management that its employees are considering unionization

11. Mediation
12. National Labor Relations Board (NLRB)
13. Negotiation
14. Notice of petition
15. Picket
16. Racketeering
17. Slowdown strike
18. Strike

2. Select from the following list statements that deal with the labor movement in the United States. Write an "X" in the blank before each correct answer.

______a. Trade union movement began with craft industries in the late 1850's

______b. Unions were not legalized until the early 1900's

______c. By 1870 there were some 300 labor unions in the United States

______d. Early unions were generally ineffective in settling disputes between employers and workers

______e. Employers took hostile actions against employees who took part in early union activities

TEST

______f. There were few laws protecting employees' rights to join early unions

______g. Many positive legislative actions took place from 1935-1960 which encouraged union growth

______h. Today approximately one-half of our nation's labor force belongs to union organizations

3. Distinguish between objectives of management and labor. Write an "L" in the blanks before objectives of labor and an "M" in the blanks before objectives of management.

______a. Decrease payroll expenses

______b. Decrease work hours

______c. Increase job security

______d. Increase benefits

______e. Encourage high productivity among employees

______f. Increase wages

______g. Retain management rights

______h. Improve work conditions

______i. Promote its membership

______j. Discourage unionization

4. Match reasons employees join labor unions to examples of each. Write the correct numbers in the blanks. Answers may be used more than once.

______a. Freedom to speak out

______b. Feeling of belonging

______c. Increased job security

______d. Increases in wages, benefits, and work hours

______e. Status

1. Economic motivations
2. Psychological motivations
3. Social motivations

5. Discuss ways labor unions affect management.

a. Management's freedom in decision-making is reduced--______________________

____

____

____

TEST

b. Management must take time to deal with union officials--______________

____

____

____

c. Management tends to lose contact with individual employees--______________

____

____

____

6. Match types of union security clauses to their correct descriptions. Write the correct numbers in the blanks.

______a. Employees do not have to join a union, but are required to pay dues

______b. Employee must join the union within a certain number of days after being employed by the company

______c. Employee must be a union member before being hired

______d. Employees are required to remain union members during the period under contract

1. Agency Shop
2. Closed Shop
3. Maintenance of Membership Agreement
4. Union Shop

7. Arrange in order steps taken by employees to organize a labor union. Write a "1" before the first step, a "2" before the second step, and so on.

______a. Majority of those voting pass or reject unionization

______b. Employees send petition to the National Labor Relations Board

______c. Union officials, labor, and management establish the date for election, usually 30-60 days after petition date

______d. Employees send representative(s) to union offices to get help in organizing

______e. Management and legal advisor(s) verify the signatures on the list

______f. Union officials send a letter to the company's management advising that both labor and management are protected under the Labor-Management Relations Act (1947)

______g. Union representatives get at least 30 percent of work force to sign a notice of petition

TEST

_____h. NLRB conducts secret ballot representation election

_____i. *If certified by the NLRB,* union representatives immediately take over negotiations for employees

_____j. If vote goes against unionization, there is a 12 month "cooling off" period before another election for unionization may take place

8. Distinguish between activities of labor and management in the bargaining process. Write a "J" in the blanks before joint activities of labor and management, an "L" in the blanks before labor practices against management, and an "M" in the blanks before management practices against labor. Some blanks may have more than one answer.

_____a. Boycott

_____b. Mediation

_____c. Collective bargaining

_____d. Lobby

_____e. Slowdown

_____f. Injunction

_____g. Featherbed

_____h. Lockout

_____i. Arbitration

_____j. Picket

_____k. Strike

_____l. Hiring new workers

9. Distinguish between do's and don'ts for supervisors when dealing with labor. Write an "X" in the blanks before statements describing activities that supervisors can do, and an "O" before statements describing activities that supervisors cannot do.

_____a. Ask employees to identify the leader of employees favoring a union

_____b. Conduct management in such a way to indicate to employees that management is watching them to determine whether or not they are participating in union activities

_____c. Tell employees about known racketeering, or other undesirable activities in the union

_____d. Advise employees that management would prefer to continue dealing with them directly than to deal with an outside union organization

TEST

______e. Tell employees that they are free to join or not to join any organization without prejudice to their status with the company

______f. Ask employees for an expression of their thoughts about a union or its officers

______g. Visit the homes of employees for the purpose of urging them to reject the union

______h. Tell employees that management is always willing to discuss anything of interest to both parties

______i. Tell employees anything management knows about the union or its officers

______j. Tell employees that management will not deal with the union

______k. Tell employees that in negotiating with the union the company does not have to agree to all of the union's terms and certainly not to any terms which are not in the economic interest of the business

______l. Discipline or penalize employees actively supporting a union for an infraction which non-union employees are permitted to commit without being disciplined in the same way

______m. Help employees to withdraw union memberships

______n. Tell employees that merely signing a union authorization card or application for membership does not mean that they must vote for the union in an election

______o. Speak to an employee in the office of a management official about the union campaign and urge him or her to vote against the union

______p. Tell employees about the benefits they presently enjoy

______q. Tell employees about their legal rights

______r. Ask employees how they intend to vote in regard to union orgainization

______s. Discriminate against employees actively supporting the union by intentionally assigning undesirable work to the union employee

______t. Tell employees some of the disadvantages of belonging to a union

______u. Make speeches to massed assemblies of employees on company time within the 24-hour period before the opening of polls for a representation election

______v. Prevent employees from soliciting union memberships during their free time on company premises

______w. Tell employees that the business will close, move, or reduce hours of operations if a union is selected as a representative

TEST

_____x. Tell employees about any experience management may have had with unions, especially the union seeking to represent the employees

_____y. Tell employees management's opinion about union policies and union leaders, even though it may be in uncomplimentary terms

_____z. Tell employees how their wages, benefits, and working conditions compare with other companies in the area, whether unionized or not

____aa. Spy on union meetings

____bb. Tell employees that, in management's opinion, the International union will try to dominate the local union, or at least try to influence local members

____cc. Inform employees that any strike by the union may cost them money in lost wages

____dd. Tell employees that the company favors the principle that union membership should be voluntary and not compulsory

____ee. Ask employees about the internal affairs of unions

____ff. Transfer employees because of union affiliation

____gg. Urge employees to try to persuade others to oppose the union or stay out of it

____hh. Campaign against a union seeking representation of employees

____ii. Tell employees that the law permits the company to hire a permanent replacement for anyone who engages in an economic strike

____jj. Tell employees about the National Labor Relations Board election procedures, the importance of voting, and the secrecy of the ballot

____kk. Distribute reprints of articles containing information about unions or facts revealed through Congressional hearings relating to union activities

____ll. Favor non-union employees over employees active in behalf of the union

____mm. Select employees to be laid off with the intention of curbing the union's strength, or to discourage affiliation with it

____nn. Promise employees a pay increase, promotion, betterment, benefit, or special favor if they stay out of the union or vote against it

____oo. Make work assignments for the purpose of prodding employees who have been active on behalf of the union to quit their jobs

____pp. Tell employees about any untrue or misleading statements made by an organizer, or in a handbill, or through any other medium of union propaganda

TEST

____qq. Ask employees at time of hiring, or thereafter, whether they belong to a union or have signed a union application or authorization card

____rr. Threaten or actually discharge, discipline, or lay off an employee because of activities in behalf of the union

____ss. Give financial support or assistance to a union, its representatives, or employees

10. Name federal legislative acts dealing with labor-management relations. Write the correct names in the blanks.

a. ______________________________

1) Commonly called the Wagner Act
2) Guaranteed the right of workers to organize unions
3) Guaranteed the right of unions to participate in collective bargaining with management
4) Created the National Labor Relations Board

b. ______________________________

1) Commonly called the Landrum-Griffin Act
2) Protects the rights of the rank-and-file members of labor unions
3) Required that unions file an annual report on their financial situations
4) Required that employers file an annual report dealing with any payments made or received which relate to employees' rights to unionize and to bargain collectively

c. ______________________________

1) Also known as the Taft-Hartley Act
2) Established guidelines to balance the power between management and unions
3) Made featherbedding illegal
4) Banned closed shops
5) Made it possible for unions to be sued for breach of contract

d. ______________________________

1) Applies to all businesses subject to the Fair Labor Standards Act provisions
2) Requires businesses to pay equal amounts to both male and female employees who are engaged in the same or very similar activities

e. ______________________________

1) Often referred to as the Wage and Hour Law
2) Deals with payment for overtime work and minimum wage rates for certain types of employees

TEST

f. ______________________________

Requires that pregnancy be treated as an illness in any benefit plan

g. ______________________________

Protects individuals between the ages of 40 and 70 from employment discrimination

h. ______________________________

Prohibits businesses from discriminating against employees or applicants because of sex, race, color, religion, or national origin

(NOTE: Test question 11 is an assignment sheet. It is an important part of this test. If it has not been completed, check with your instructor.)

11. Analyze a situation dealing with labor relations.

LABOR RELATIONS
UNIT VI

ANSWERS TO TEST

1.	a.	8	g.	6	m.	17
	b.	10	h.	2	n.	11
	c.	5	i.	9	o.	18
	d.	3	j.	7	p.	16
	e.	1	k.	13	q.	12
	f.	4	l.	15	r.	14

2. c, d, e, f, g

3.	a.	M	f.	L
	b.	L	g.	M
	c.	L	h.	L
	d.	L	i.	L
	e.	M	j.	M

4.	a.	2	d.	1
	b.	3	e.	3
	c.	2		

5. Discussion should include

   a. Management's freedom in decision-making is reduced

      1) Management must follow agreements set in labor contracts
      2) Unions sometimes try to influence management to make business arrangements that best meet their cause
      3) Management may find it difficult to terminate an incompetent employee

   b. Management must take time to deal with union officials

      1) Management must take time to prepare for negotiation sessions
      2) Management is required to spend time with union leaders during negotiations

   c. Management tends to lose contact with individual employees

      1) Management deals with one or two union leaders who speak for all members
      2) Unions insist on the same treatment for all employees

ANSWERS TO TEST

6. a. 1
b. 4
c. 2
d. 3

7. a. 8
b. 4
c. 6
d. 1
e. 5
f. 3
g. 2
h. 7
i. 9
j. 10

8. a. L
b. J
c. J
d. L, M
e. L
f. M
g. L
h. M
i. J
j. L
k. L
l. M

9. a. O
b. O
c. X
d. X
e. X
f. O
g. O
h. X
i. X
j. O
k. X
l. O
m. O
n. X
o. O
p. X
q. X
r. O
s. O
t. X
u. O
v. O
w. O
x. X
y. X
z. X
aa. O
bb. X
cc. X
dd. X
ee. O
ff. O
gg. O
hh. X
ii. X
jj. X
kk. X
ll. O
mm. O
nn. O
oo. O
pp. X
qq. O
rr. O
ss. O

ANSWERS TO TEST

10. a. National Labor Relations Act (1935)

    b. Management Reporting and Disclosure Act (1959)

    c. Labor-Management Relations Act (1947)

    d. Equal Pay Act (1963)

    e. Fair Labor Standards Act (1938)

    f. Public Law 95-555 (1978)

    g. Age Discrimination in Employment Act (1967, amended 1977)

    h. Civil Rights Act (1964)

11. Evaluated to the satisfaction of the instructor

STORE LAYOUT
UNIT I

UNIT OBJECTIVE

After completing this unit, the student should be able to arrange store fixtures and merchandise in selling and non-selling areas in such a manner that maximum profits and customer satisfaction are realized. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with store layout to their correct definitions.
2. Select from a list principles that affect store layout.
3. Discuss principles for effectively merchandising products in a retail store.
4. Name two major types of display classifications.
5. Distinguish between characteristic uses of the five types of interior displays.
6. Complete statements relating to the various types of window displays.
7. Select from a list principles used in creating window displays.
8. Discuss ways to increase cost efficiency through effective store arrangement.
9. State ways to improve store security through effective layout design.
10. Distinguish among types of layout arrangements.
11. Evaluate the visual effectiveness of a display.
12. Prepare a store layout.
13. Analyze a store layout.

STORE LAYOUT
UNIT I

SUGGESTED ACTIVITIES

I. Suggested activities

   A. Order films, games, and other materials to supplement unit.

      1. *Visual Merchandising.* Monthly trade journal that specializes in display topics, especially in fashion merchandising. Available from ST Publications, 407 Gilbert Avenue, Cincinnati, Ohio 45202.

      2. *Display Selling. Expenses in Retail Business. Making Your Windows Work for You. Selling Goods Through Window Display and Proper Lighting.* Available from National Cash Register Company, World Headquarters, Dayton, Ohio 45479.

   B. Make transparencies.

   C. Provide students with objective sheet.

   D. Provide students with information and assignment sheets.

   E. Discuss unit and specific objectives.

   F. Discuss information and assignment sheets.

   G. Have students set up a window display at school and/or at work.

   H. Have students interview businesspeople about display practices in their stores.

      SUGGESTED QUESTIONS:

      1. Who does your display work?

      2. Where do your ideas for display come from?

      3. Who decides what display theme will be used?

      4. Do you think the use of color is important in display? Motion?

      5. Is display an important part of your total advertising program?

   I. Have students interview store managers and/or owners about store layout practices in their stores.

      SUGGESTED QUESTIONS:

      1. Who decides how each department will be arranged?

      2. Where do you get your fixtures?

SUGGESTED ACTIVITIES

3. How often does your store/department layout change?

4. Why did you select the fixtures that you currently use?

J. Take students on a field trip to a local shopping center to evaluate displays. Use rating sheet in Assignment Sheet #1. You might also ask students to describe the components of the display being evaluated.

SUGGESTIONS FOR DESCRIPTION:

1. What type of background is used?

2. What types of props are being used? Describe them.

3. What is the major item(s) of merchandise being displayed?

4. What related items are being displayed?

5. What type of floor covering is used?

6. Are show cards and/or tickets being used? Where are they placed in the display case?

K. Give test.

L. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency masters

1. TM #1--Free-Standing Floor Display
2. TM #2--Island/Gondola Display
3. TM #3--End-Cap Display
4. TM #4--Closed Case Display
5. TM #5--Point-of-Purchase Display
6. TM #6--Flying/Suspension Display
7. TM #7--Special Event Display
8. TM #8--Related Merchandise Display

SUGGESTED ACTIVITIES

9. TM #9--Line-of-Goods Display
10. TM #10--Gridiron Pattern
11. TM #11--Free-Flow Merchandise Arrangement
12. TM #12--Combination Merchandise Arrangement

E. Assignment sheets

1. Assignment Sheet #1--Evaluate the Visual Effectiveness of a Display
2. Assignment Sheet #2--Prepare a Store Layout
3. Assignment Sheet #3--Analyze a Store Layout

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Samson, Harland E. *Advertising and Displaying Merchandise.* Cincinnati: South-Western Publishing Company, 1967.

C. Samson, Harland E., and Wayne G. Little. *Display Planning and Techniques.* Cincinnati: South-Western Publishing Company, 1979.

D. U.S. Small Business Administration. *Presentor's Guide Series: Location and Layout for Small Business.* Washington, D.C.: U.S. Government Printing Office, 1979.

STORE LAYOUT
UNIT I

INFORMATION SHEET

I. Terms and definitions

- A. Decorative prop--Fixture that helps to carry out a theme rather than to actually hold merchandise
- B. Display--Form of nonpersonal presentation of merchandise at or near the point of purchase, whereby customer attention, interest, and desire is created
- C. Functional prop--Fixture that physically supports or holds merchandise being displayed
- D. High traffic area--Area within a store which has large amounts of customer movement
- E. Impulse good--Item which is bought on sight without previous deliberation on the part of the customer
- F. Layout--Logical arrangement of selling and non-selling areas planned for efficient operation and maximum sales
- G. Merchandising effectiveness--Presentation of merchandise in such a manner that highest sales are gained at a reasonable cost to the store for the moment and for future operations
- H. Open display--Merchandise placed on tables, in bins, on counters or racks in such a manner that customer may handle and inspect items
- I. Staple good--Item that is demanded throughout the year; customers will seek out this merchandise

II. Principles that affect store layout

- A. Merchandising effectiveness
- B. Cost efficiency
- C. Security

III. Principles for effectively merchandising products in a retail store

- A. Product accessibility
  - 1. Adequate space for aisles and traffic movement is essential
    - a. Measure the amount of space needed for walking and for moving stock
    - b. Place carts and standing displays to the right of the front doors

INFORMATION SHEET

2. Arrange merchandise into departments according to type
    a. Show the same kinds of goods together according to brand and size
    b. Place related merchandise in adjacent departments
    c. Place staple goods at rear of store
    d. Display impulse items in aisles leading to staple goods
    e. Arrange as many displays as possible to sell high profit items
    f. Arrange certain items in areas appropriate to their physical characteristics

       EXAMPLES: Draperies located on wall sections; ladders located in rear, on wall section; small convenience items located close to entrances, small expensive items located in closed-case displays

B. Product visibility

1. Arrange displays in an effective manner
2. Use informative and attractive signs to enhance displays
3. Install "warm white" fluorescent bulbs for efficiency and quality color retention
4. Highlight displays and special areas with increased lighting

   (NOTE: Lighting used to highlight areas is frequently called *applied lighting.*)

5. Create a subtle effect by using color to enhance displays

IV. Two major types of display classifications

A. Interior displays

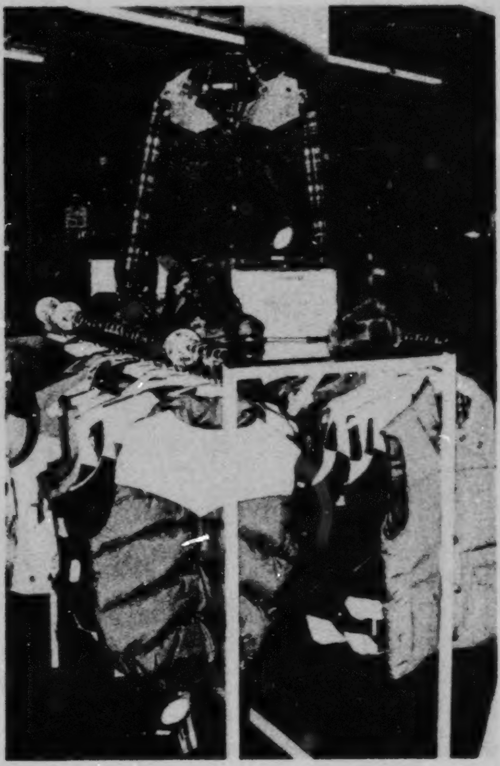
B. Window displays

INFORMATION SHEET

V. Using interior displays (Transparencies #1, #2, #3, #4, #5, and #6)

A. Free-standing floor display (Figure 1)

FIGURE 1

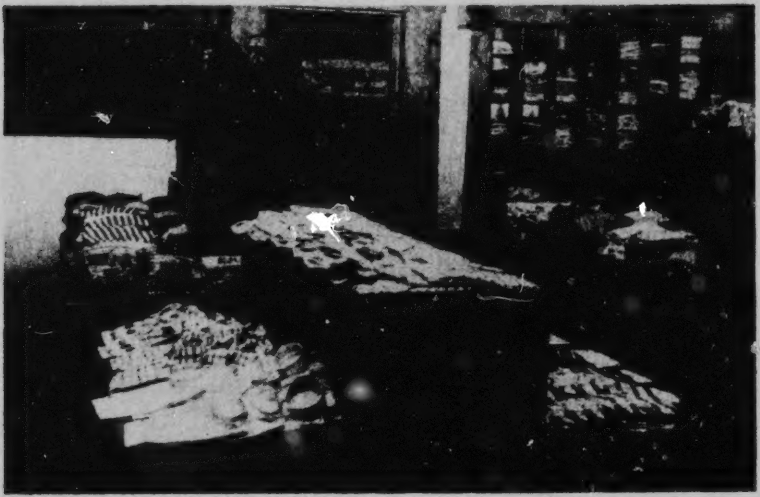


1. Arrange fixtures to attract eye of customer
2. Create favorable attention, interest, and desire by using color, signs, and lighting
3. Show related merchandise within display of featured item(s)

INFORMATION SHEET

B. Island/gondola display (Figure 2)

FIGURE 2

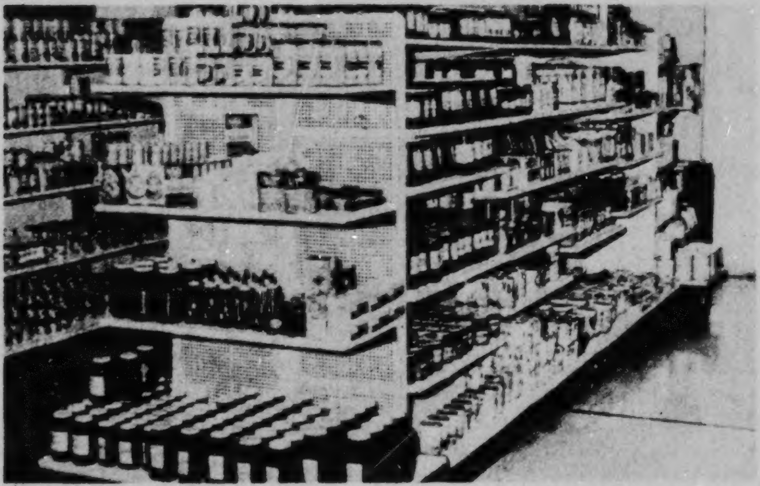


1. Use large, open display tables to stack merchandise

2. Locate in high traffic areas where customer may reach merchandise from all sides

C. End-cap display (Figure 3)

FIGURE 3



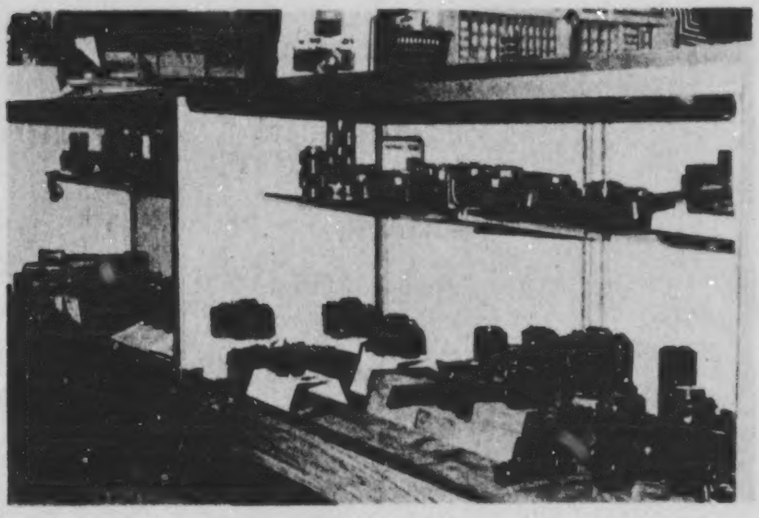
1. Place at end of merchandise aisle

2. Use to promote specially priced, new, or seasonal merchandise

INFORMATION SHEET

D. Closed-case display (Figure 4)

FIGURE 4



(NOTE: It is more expensive to use closed-case displays than to use open displays; however, security is much improved.)

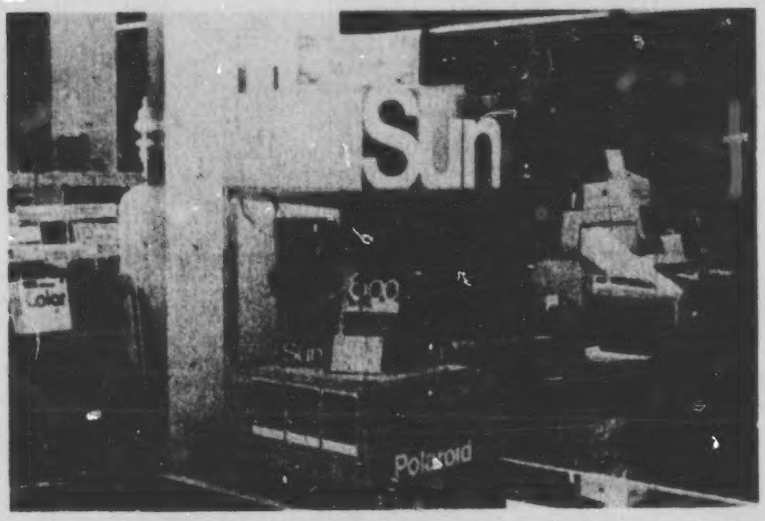
1. Use for security in merchandising small, expensive items
2. Use for certain unpackaged food items to avoid damage and/or contamination

   EXAMPLES: Fresh lobsters, fresh-baked items

INFORMATION SHEET

E. Point-of-purchase display (Figure 5)

FIGURE 5



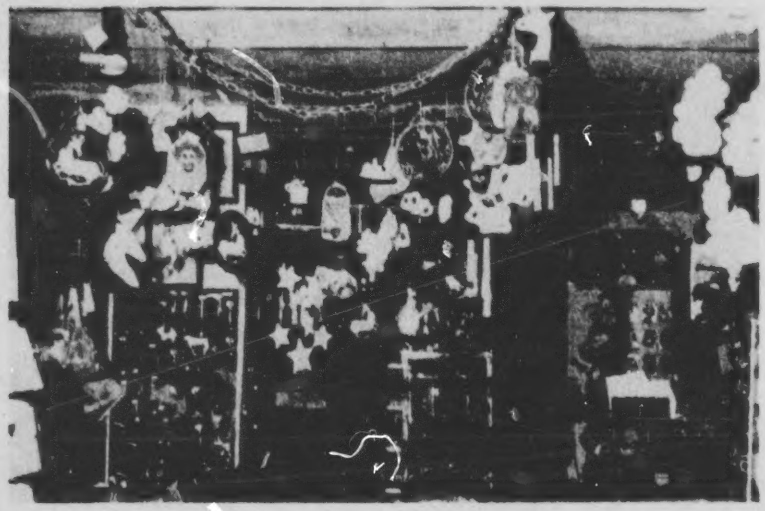
(NOTE: Point-of-purchase displays are frequently designed, delivered, and sometimes set up by manufacturers in order to promote their products.)

1. Use to sell large-volume, fast-moving merchandise
2. Set up on counters and in high traffic areas

INFORMATION SHEET

F. Flying/suspension display (Figure 6)

FIGURE 6



(NOTE: Monofilament line is usually used to fly/suspend merchandise.)

1. Use to display lightweight items

   EXAMPLES: Clothing, piece goods

2. Suspend items from ceiling in order to make maximum use of store's vertical space

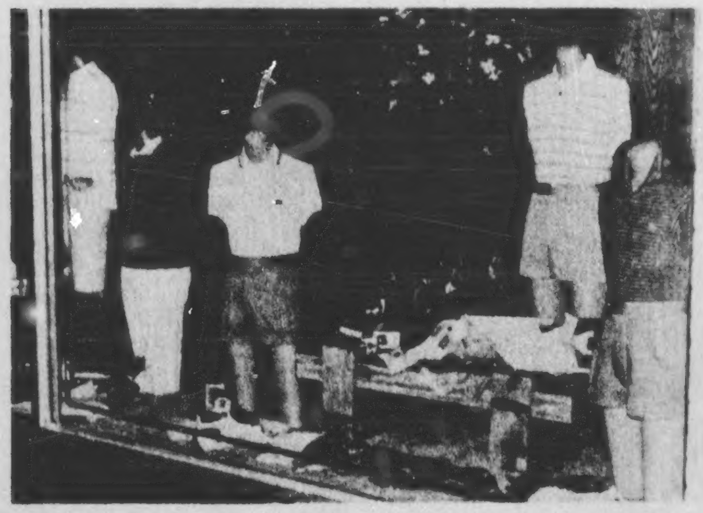
3. Show motion by folding and/or extending various elements of the merchandise

INFORMATION SHEET

VI. Types of window displays

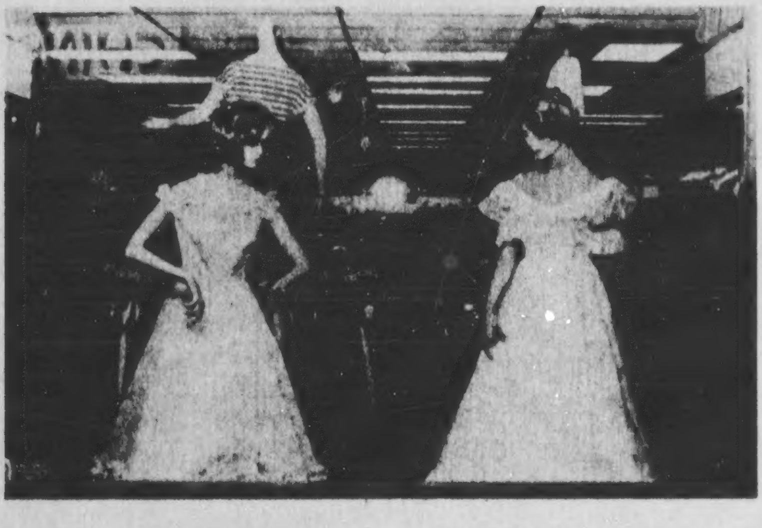
A. Closed window displays make it possible to completely separate a store's interior from display window (Figure 7)

FIGURE 7



B. Open window displays have no background panel, which allows customers to see interior of store (Figure 8)

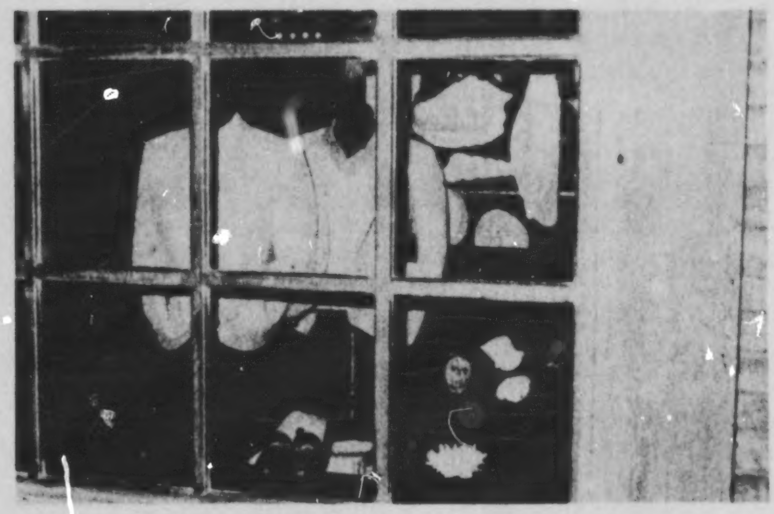
FIGURE 8



INFORMATION SHEET

C. Semi-closed window displays have a half panel background, which allows customers to see over displayed merchandise and into store's interior (Figure 9)

FIGURE 9



VII. Principles used in creating window displays (Transparencies #7, #8, and #9; Assignment Sheet #1)

A. Use window displays for a variety of purposes (Transparency #7)

1. Use *special-event* displays to feature merchandise related to the event taking place

   EXAMPLES: Christmas, homecoming, back-to-school, new season

2. Show bargain or clearance sale items in *sale* displays

3. Show items that may be used together in *related-merchandise* displays (Transparency #8)

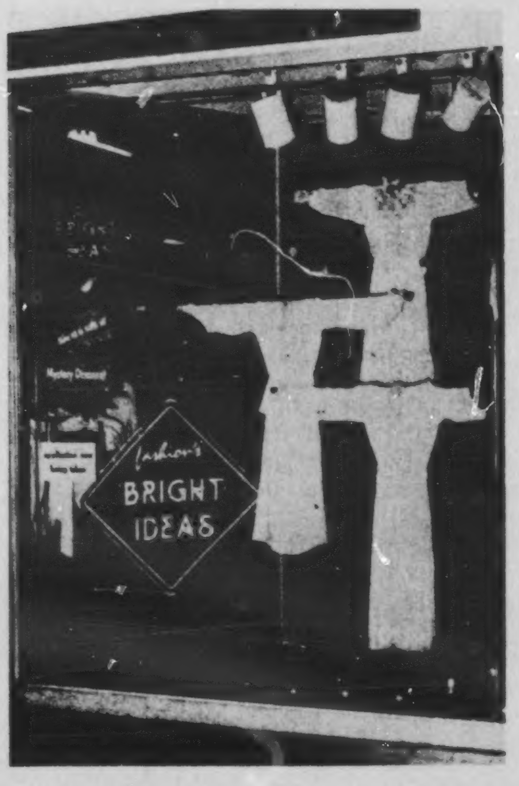
   EXAMPLES: Ski jacket, ski pants, gloves, hat, and scarf

4. Present one kind of merchandise, or one manufacturer's goods in *line-of-goods* displays (Transparency #9)

INFORMATION SHEET

B. Use all areas of the display case (Figure 10)

FIGURE 10

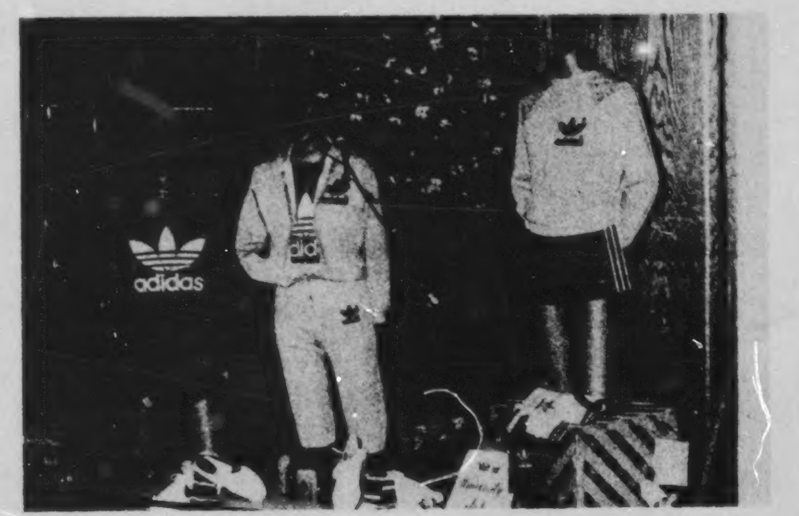


1. Emphasize merchandise line, shape, size, texture, weight, and color with an effective background
2. Use neat, clean floor coverings which blend in with background material
3. Prepare sides and ceiling of the display unit so that they are clean and fit well with background and floor covering

INFORMATION SHEET

C. Select merchandise appropriate for the display (Figure 11)

FIGURE 11



1. Display best sellers: Use merchandise with *sales appeal*
2. Use items that are attractive: Have *eye appeal*
3. Choose merchandise that is currently making news: Has *time appeal*

INFORMATION SHEET

D. Emphasize merchandise through use of lighting (Figure 12)

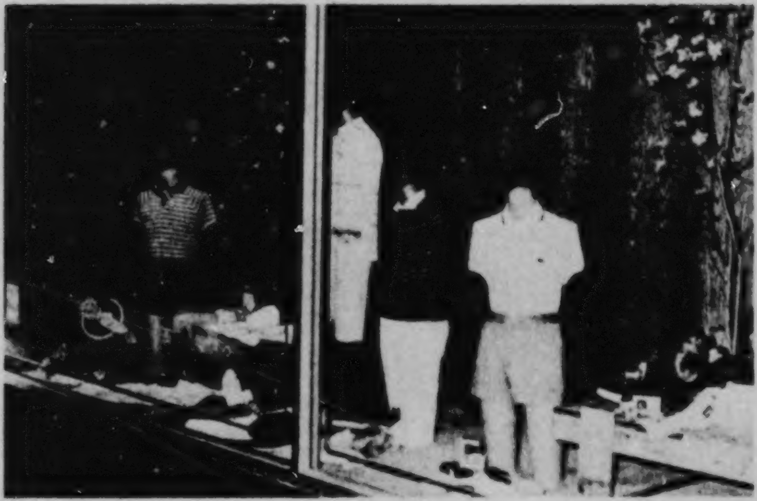
FIGURE 12

1. Pinpoint certain items by placing a cover with a small hole in the center over the light source
2. Spotlight large items of merchandise and/or sections of display by using large, high-intensity bulbs
3. Use floodlights in ceiling of case to spread intense light over entire display area

INFORMATION SHEET

E. Show merchandise at its best vantage by using props (Figure 13)

FIGURE 13



1. Use *functional props* to physically support or hold merchandise being displayed

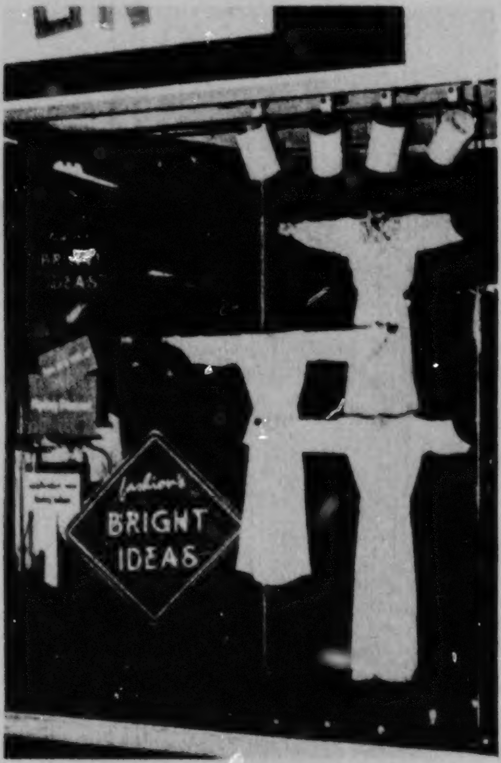
   EXAMPLES: Mannequin, screen, pedestal, table, stand, wire

2. Use *decorative props* to help carry out a theme, rather than to actually hold merchandise

INFORMATION SHEET

F. Create signs to communicate information that could not otherwise be presented (Figure 14)

FIGURE 14



EXAMPLES: Price, size, display theme, merchandise construction, location of merchandise in store

VIII. Ways to increase cost efficiency through effective store arrangement

A. Stock availability

1. Arrange shelving and/or rack space for most efficient storage of items
2. Plan stockroom for stock rotation
3. Make stock accessible to selling area
4. Arrange stock so that stockpeople and/or salespeople can easily locate merchandise
5. Place fast-moving-item stock as close to selling area as possible

INFORMATION SHEET

B. Receiving facilities

(NOTE: Depending on the type of merchandise carried by a store, there may or may not be a special area for shipping and receiving merchandise.)

1. Use regular entrance for small items

2. Use special loading platform area for large items, as needed

IX. Ways to improve store security through effective layout design

A. Arrange store layout for unobstructed view of selling area; reduce blind spots

B. Set up security devices to reduce losses from shoplifting and burglaries

EXAMPLES: Mirrors, cameras, burglar alarm, locks

C. Enclose small, expensive items in lighted, closed-case display fixtures

X. Types of layout arrangements (Transparencies #10, #11, and #12; Assignment Sheets #2 and #3)

A. Gridiron pattern (Transparency #10)

1. Allows more merchandise to be displayed in less space

2. Facilitates use of standardized fixtures throughout store

3. Adapts easily to fit any building structure and design

B. Free-flow pattern (Transparency #11)

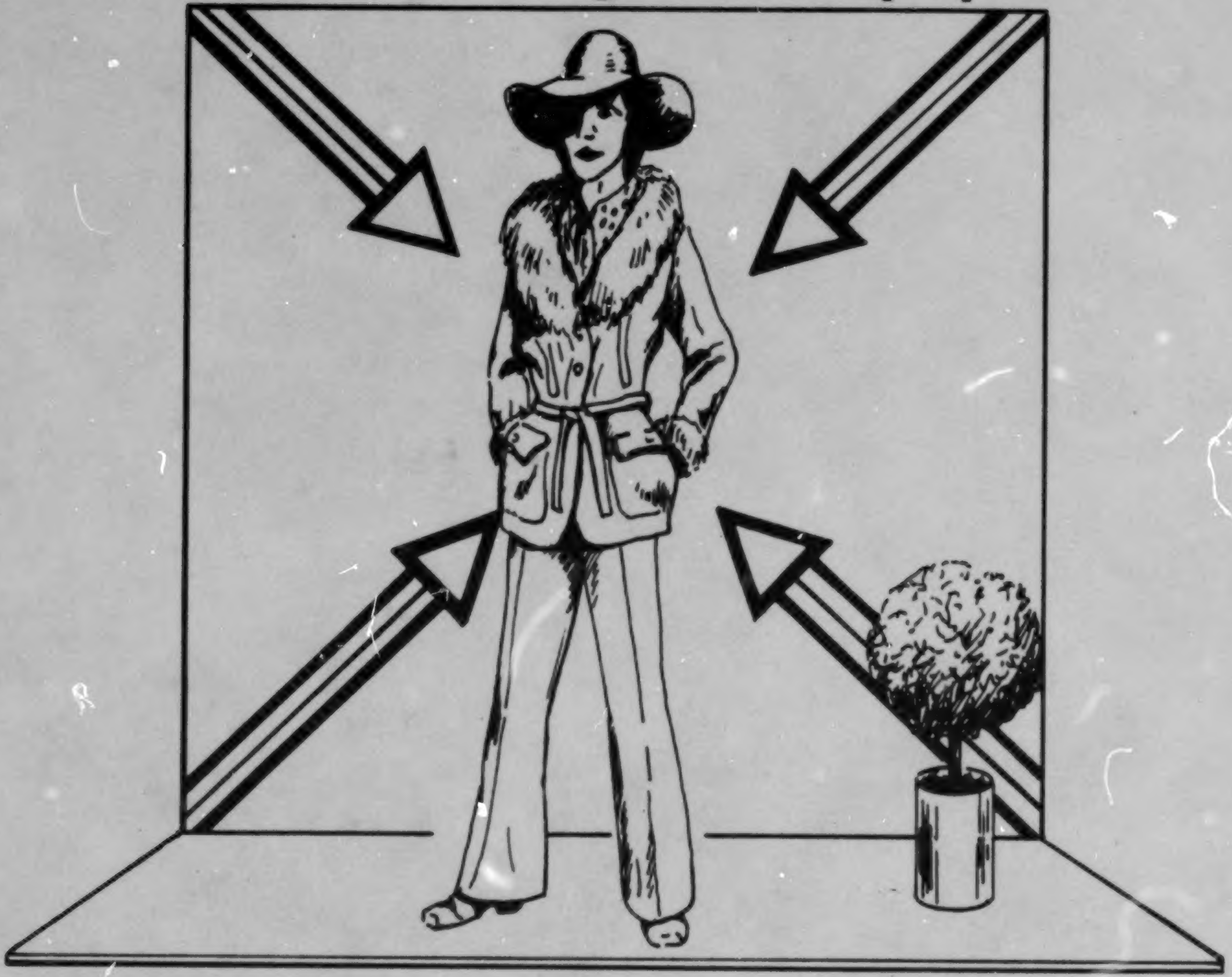
1. Increases customer exposure to merchandise

2. Provides alternate courses for customer movement throughout the store

3. Facilitates store individuality and attractiveness

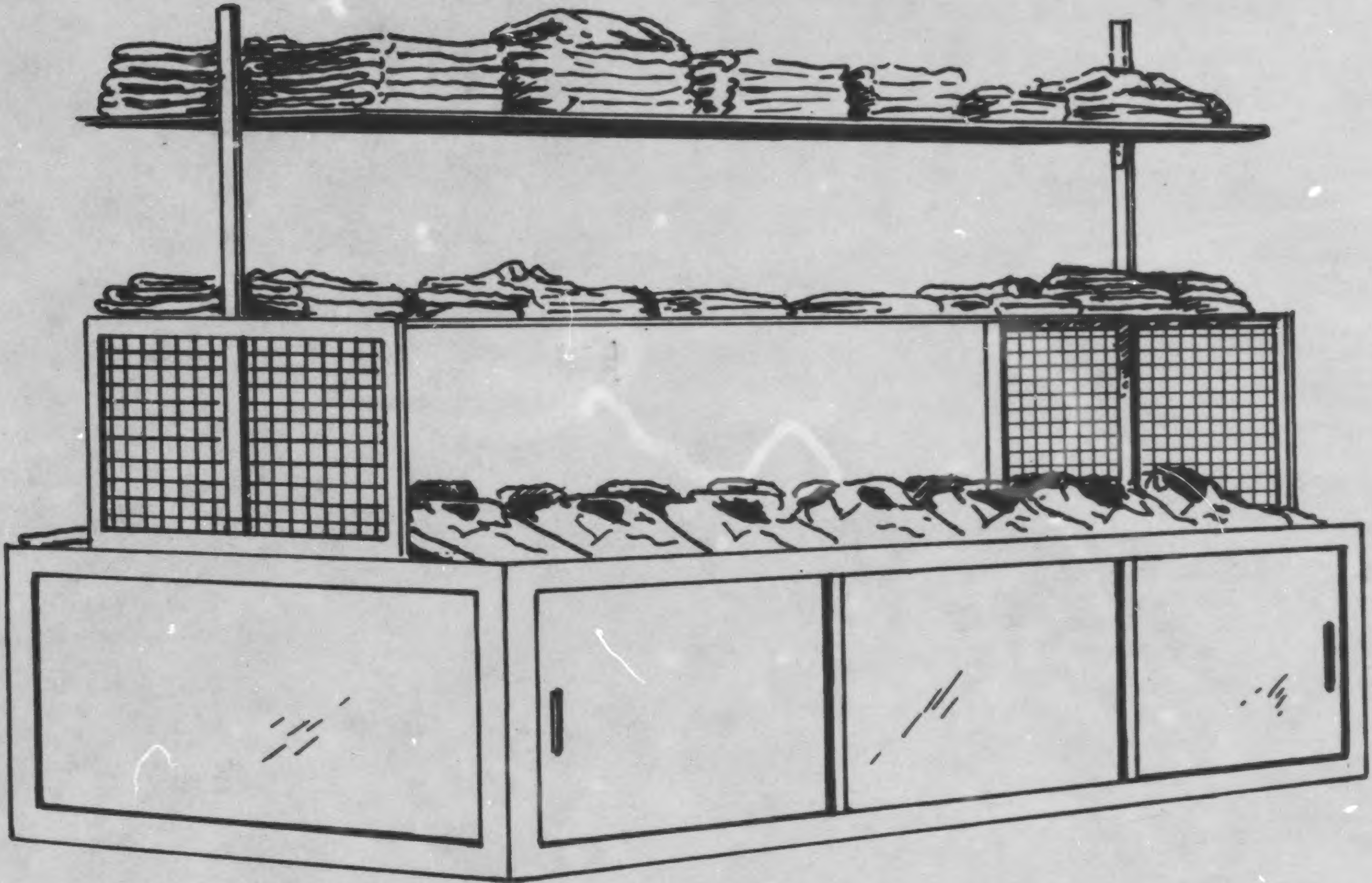
C. Combination pattern--Combines advantages of the other arrangement patterns (Transparency #12)

Free-Standing Floor Display



TM #1

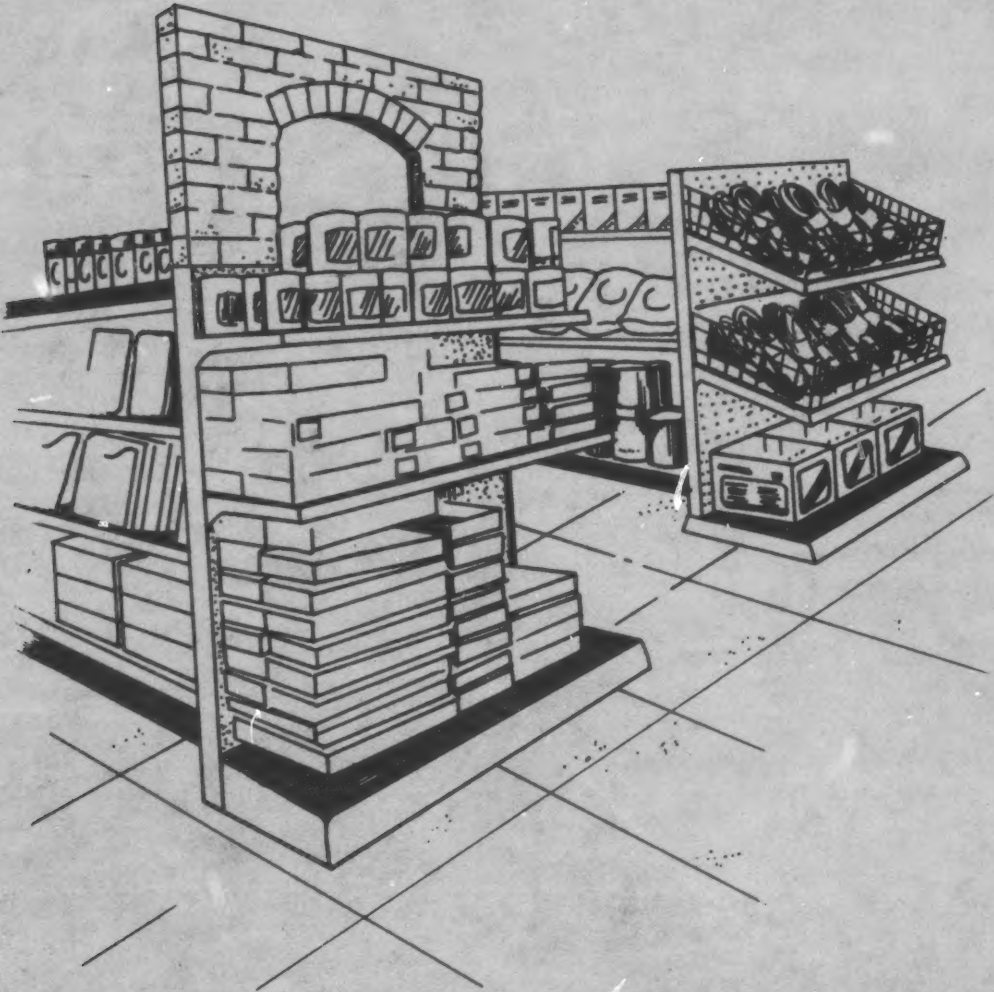
Island / Gondola Display



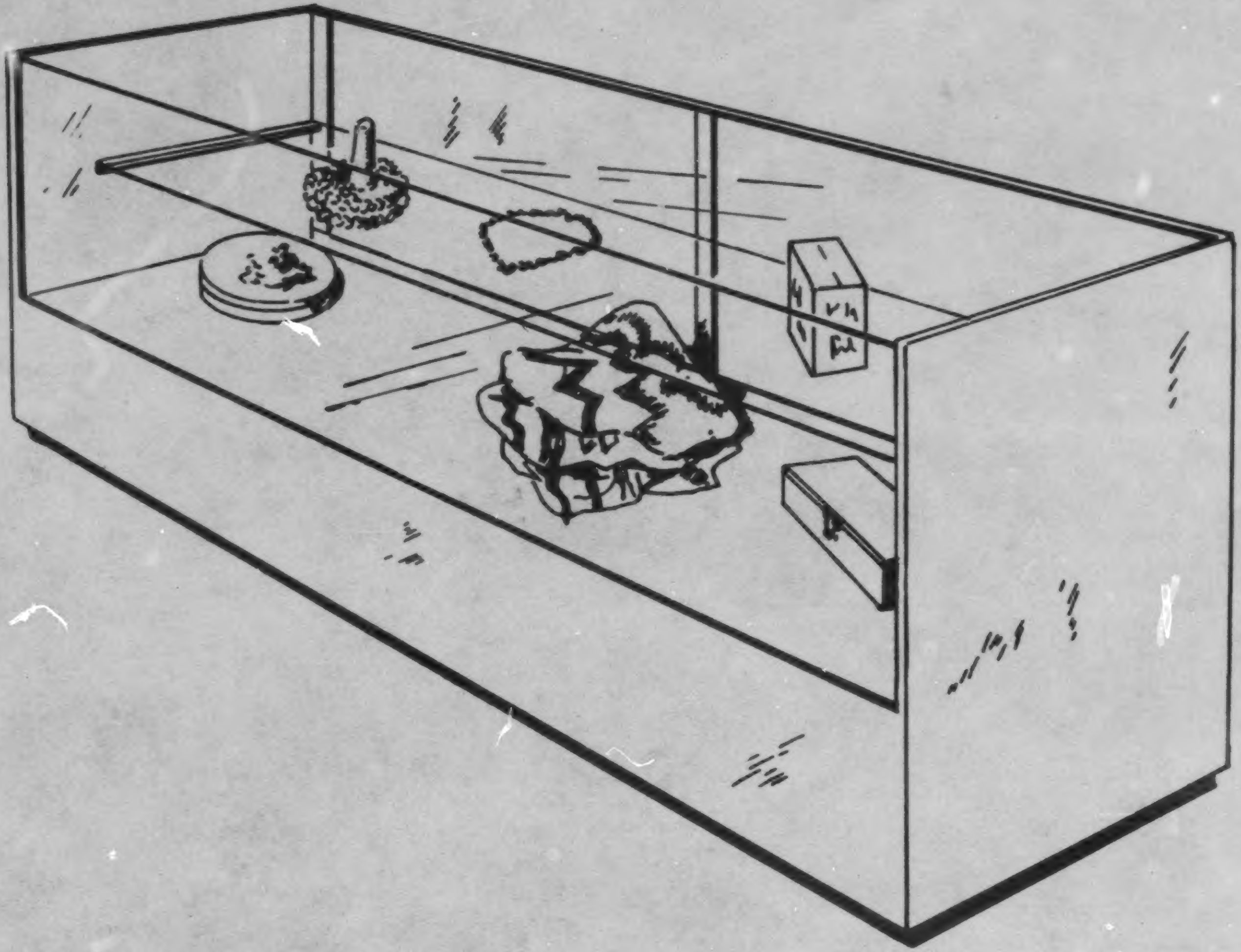
TM #2

BMO - 25-D

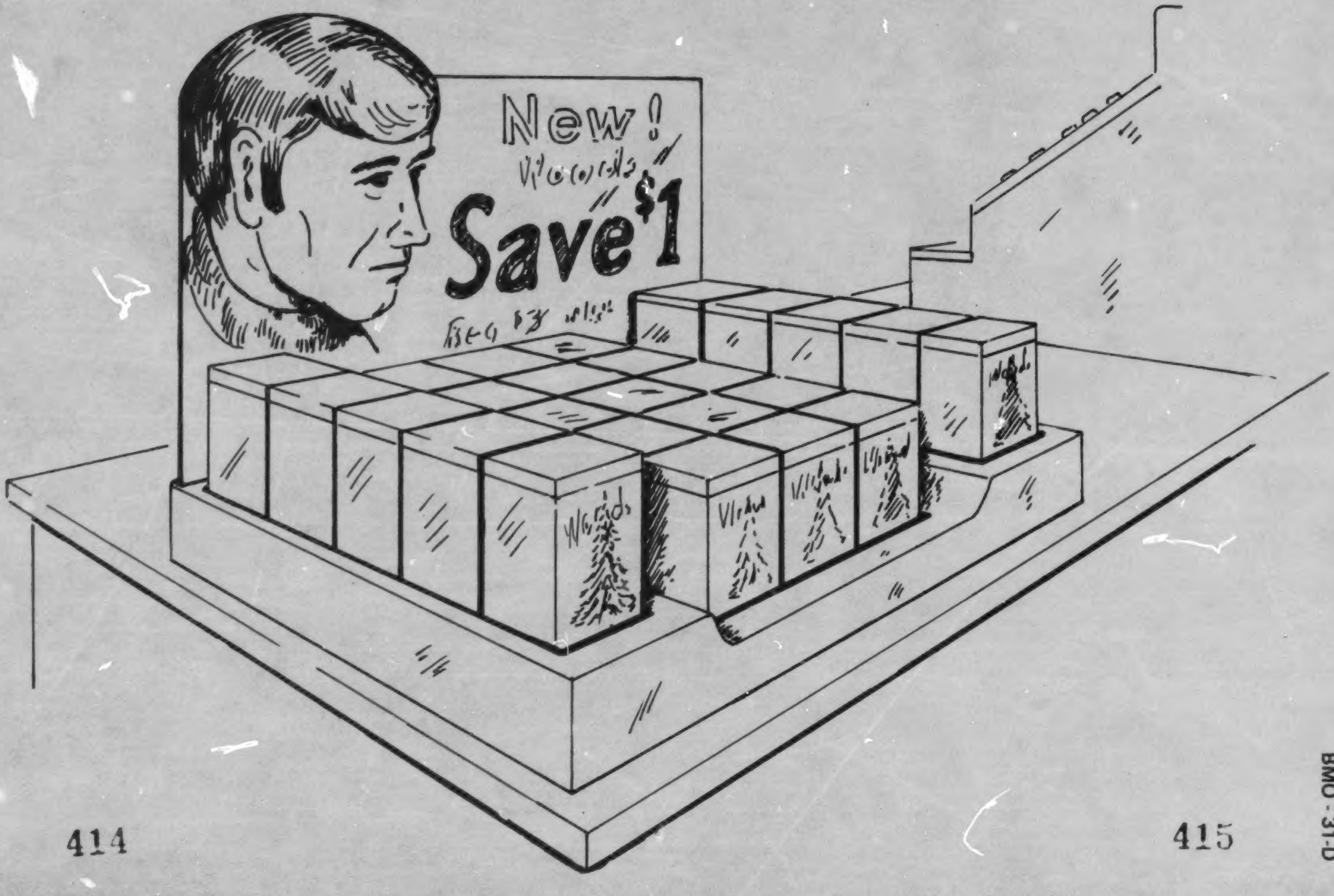
End-Cap Display



Closed Case Display



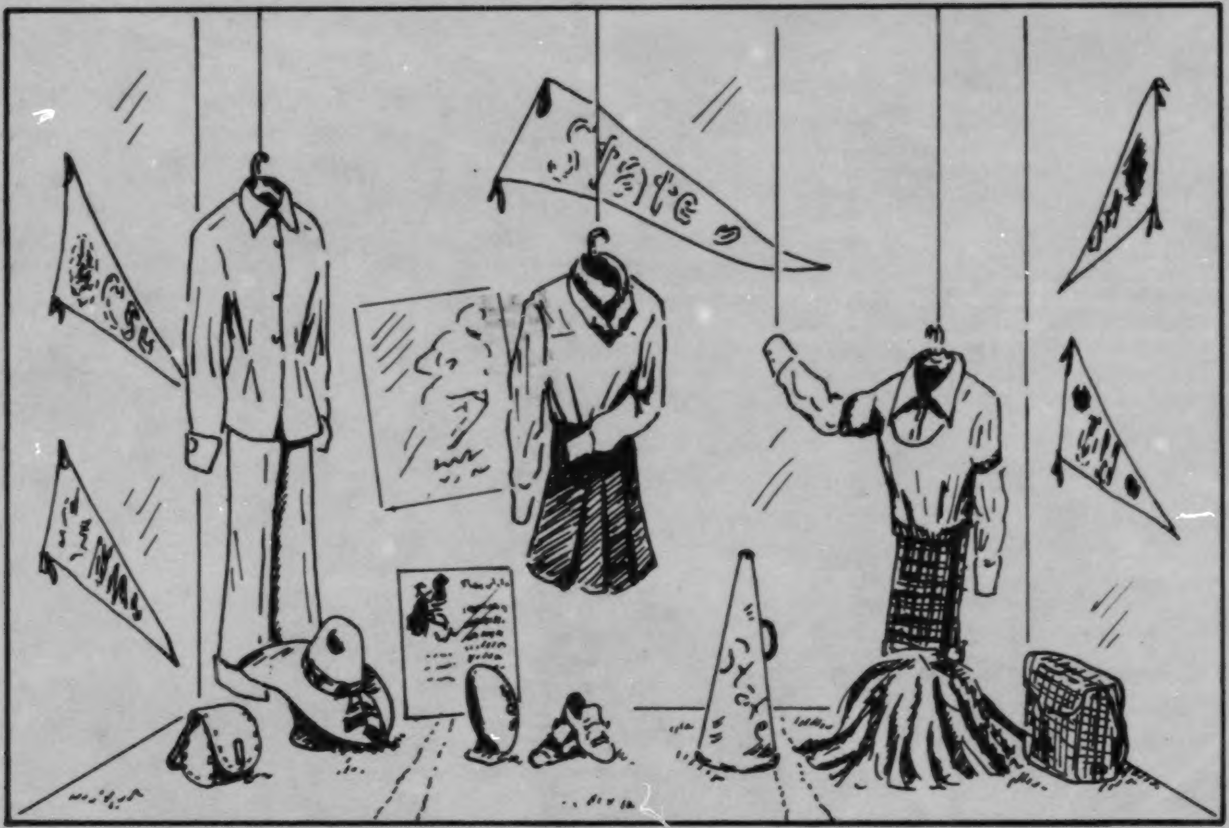
Point-of-Purchase Display


New!
Words
Save $1
Words

TM #5

BMO - 31-D

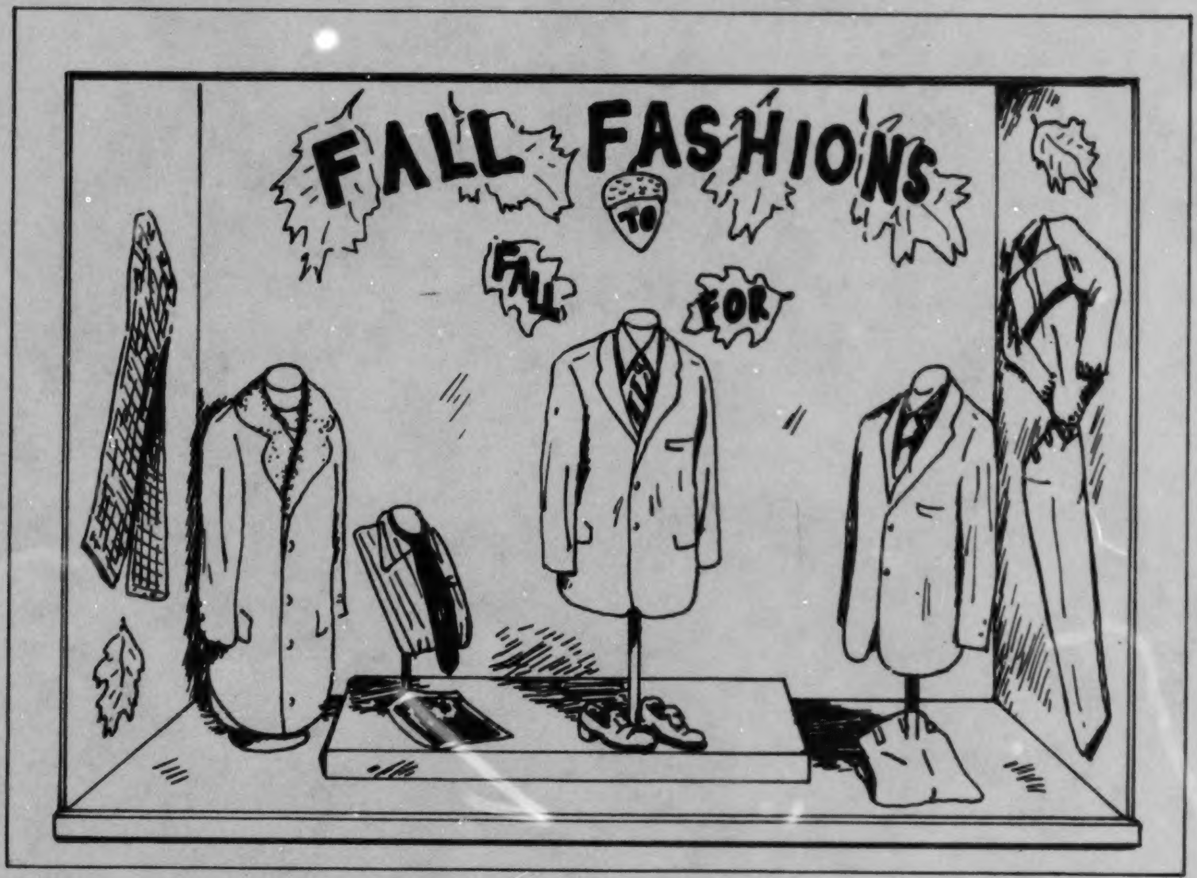
Flying / Suspension Display


State
State

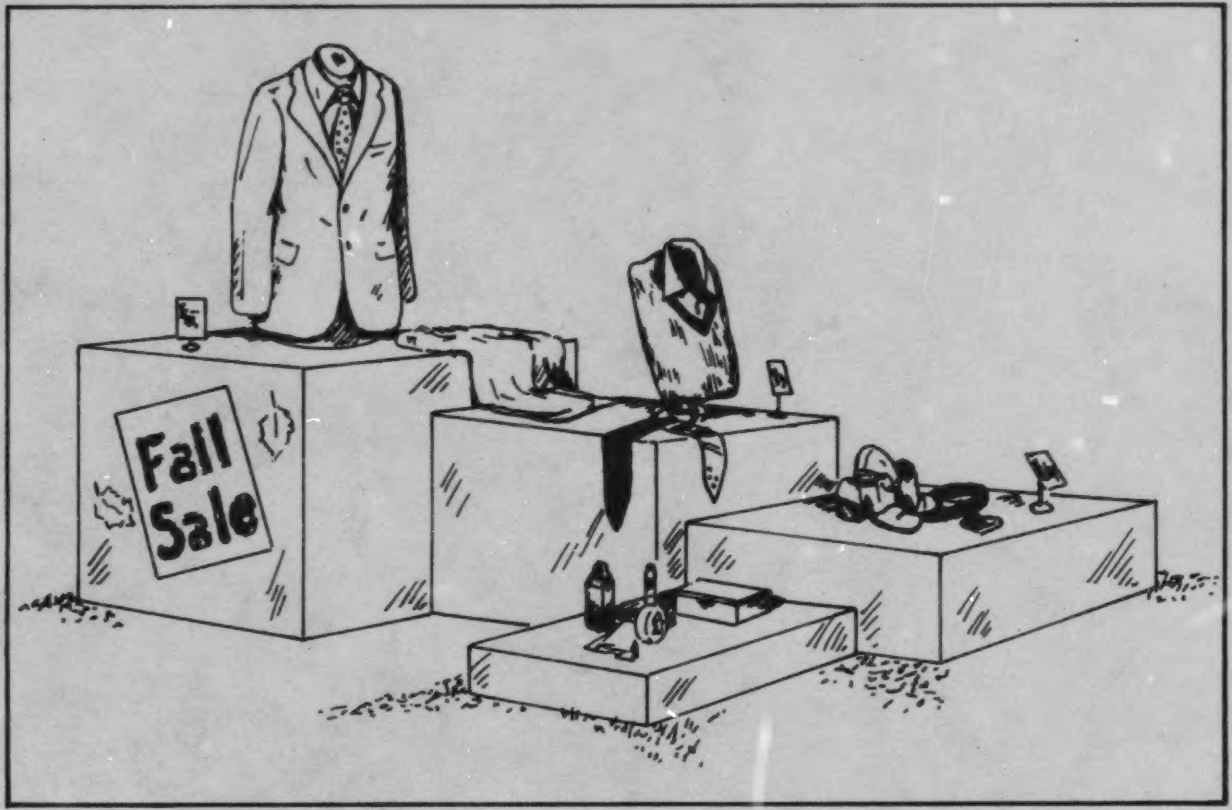
TM #6

BMO - 33-D

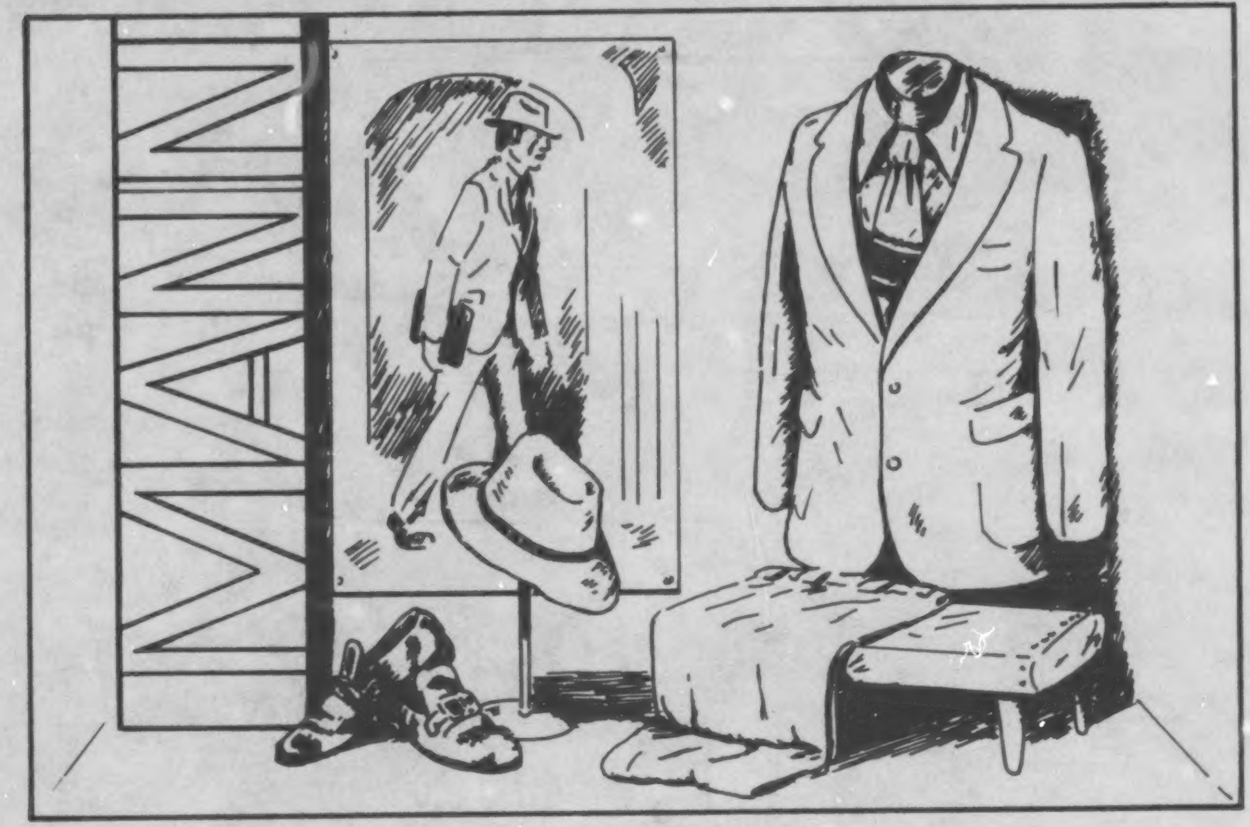
Special Event Display


FALL FASHIONS
TO
FALL
FOR

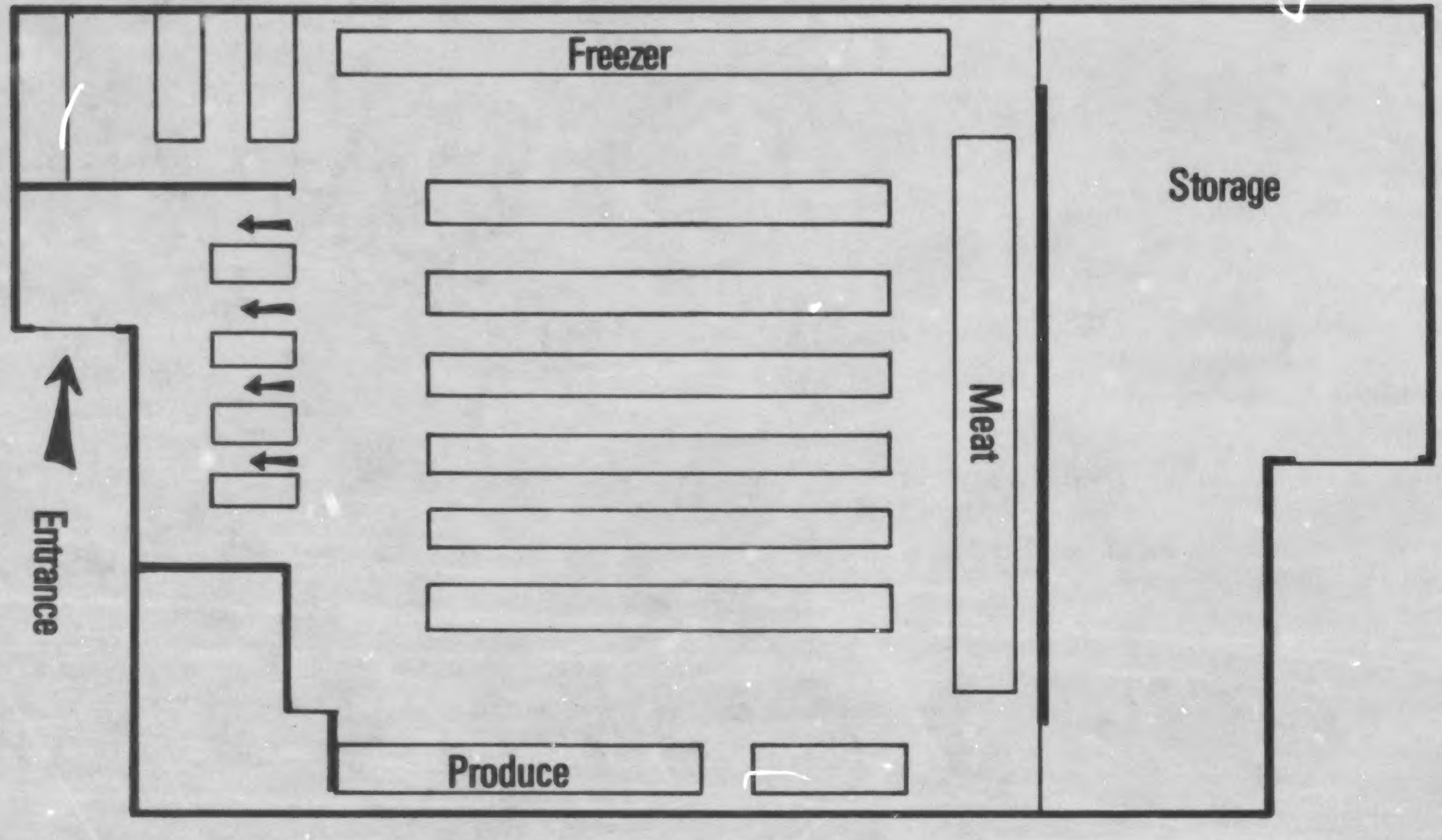
Related Merchandise Display



Line-of-Goods Display



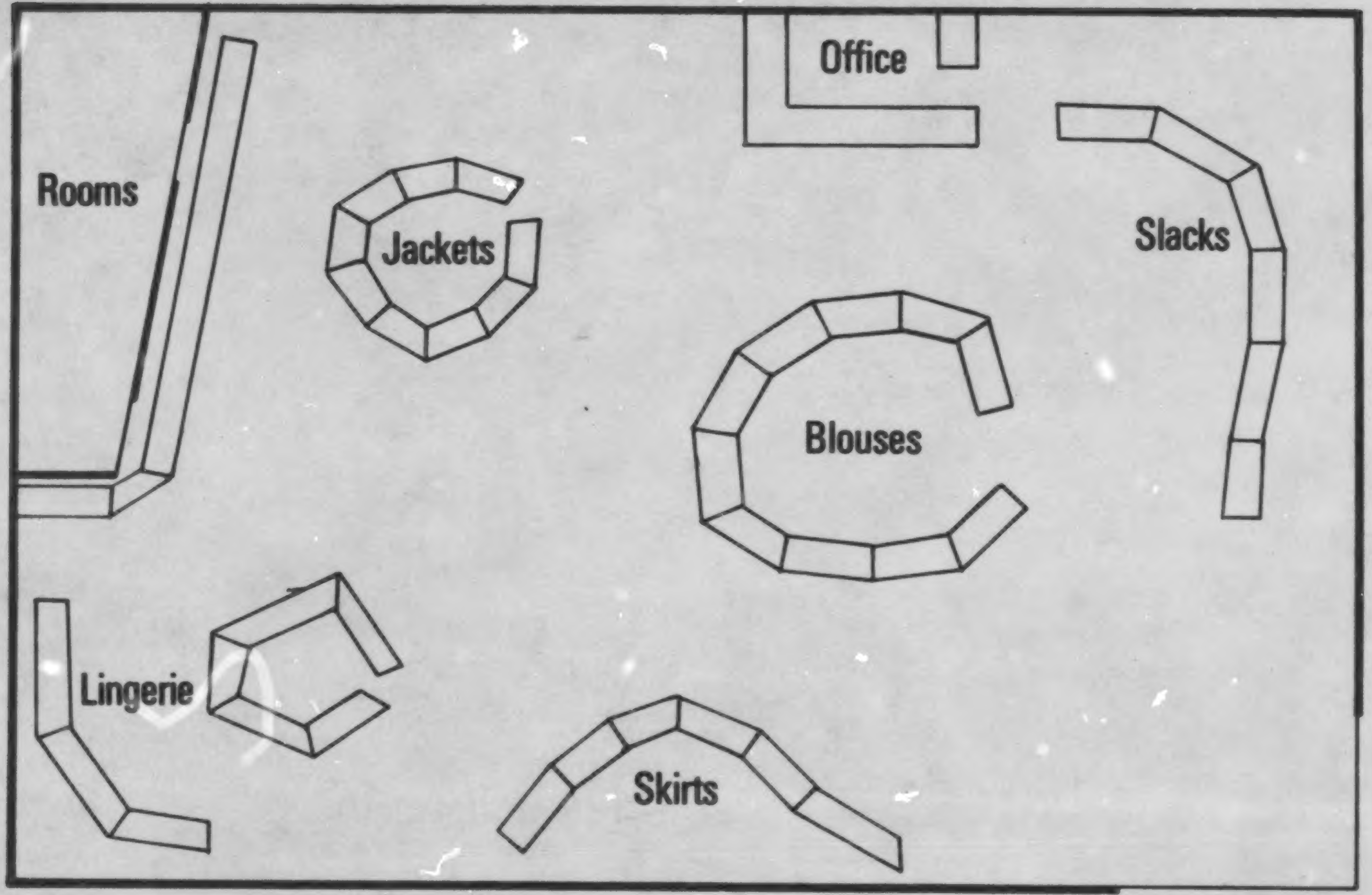
Gridiron Pattern


Freezer
Storage
Meat
Entrance
Produce

TM #10

BMO - 41-D

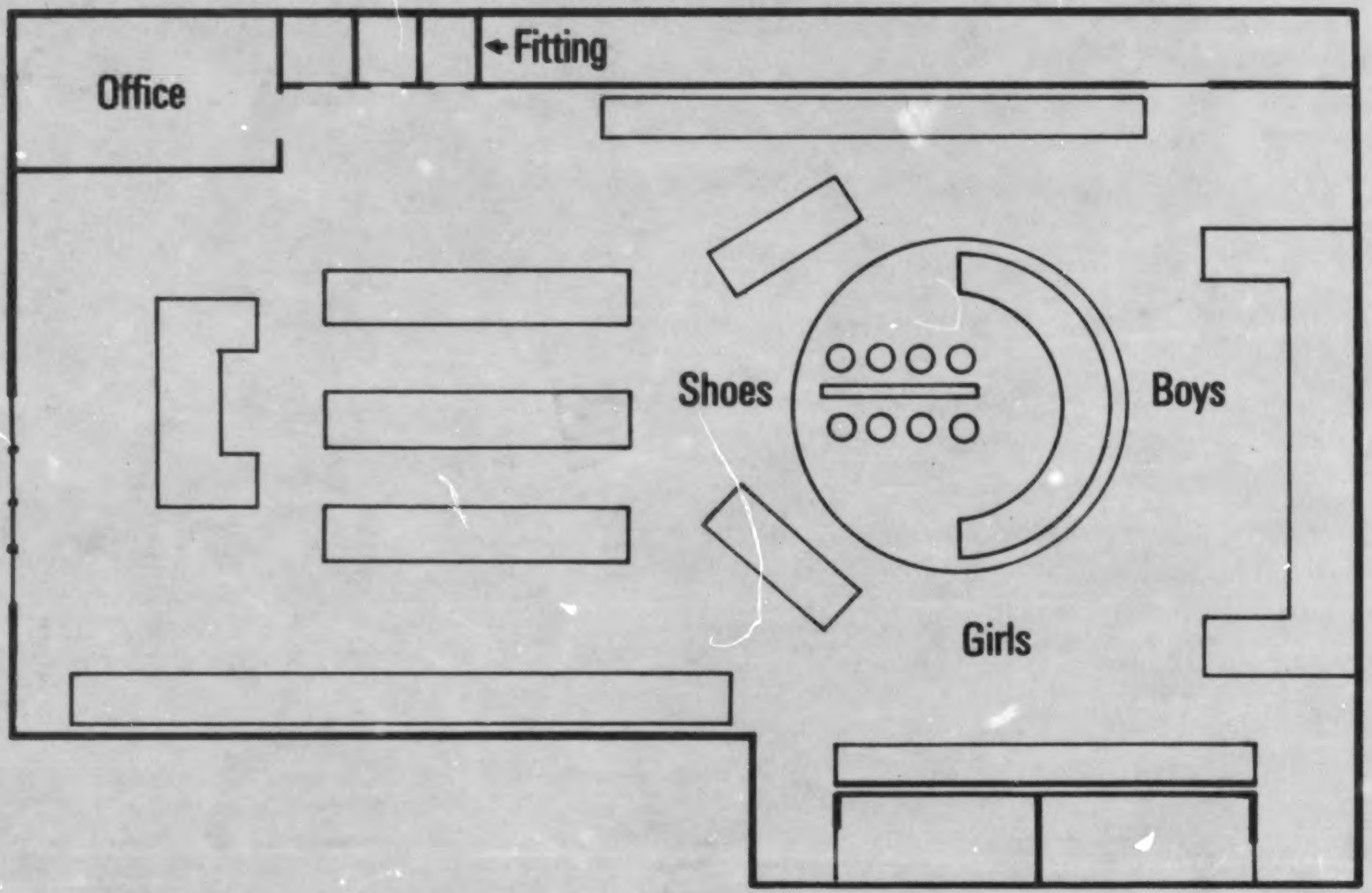
Free-Flow Merchandise Arrangement


Office
Rooms
Jackets
Slacks
Blouses
Lingerie
Skirts

TM #11

BMO - 43-D

Combination Merchandise Arrangement


Fitting
Office
Shoes
Boys
Girls

TM #12

BMO - 45-D

STORE LAYOUT
UNIT I

ASSIGNMENT SHEET #1–EVALUATE THE VISUAL EFFECTIVENESS OF A DISPLAY

NAME ______________________________ SCORE ____________________

In many stores, visual merchandising personnel are assigned to certain departments for the purpose of setting up displays. More often, however, department managers are responsible for displays in their respective areas. Usually they will assign this task to a subordinate. Once a display is put up, it should be critiqued for power to attract attention, merchandise visibility, timeliness, arrangement, and craftsmanship.

In this assignment, you will use a rating sheet to evaluate the visual effectiveness of a display. You may use a retail store display or one that has been set up by DE/Marketing students in your school.

(CAUTION: Ask permission before evaluating a retail store display. Store personnel may become anxious with this activity if they have not been told in advance that your rating is a school project.)

PART I--Draw a sketch of the display in this space.

ASSIGNMENT SHEET #1

PART II--Display rating sheet

NAME OF STORE ______________________________

Type of merchandise on display ______________________________

____

____

POWER TO ATTRACT ATTENTION -Creative idea behind theme -Appropriate background -Appropriate props used	0 5 10 15 20
MERCHANDISE VISIBILITY -Lighting appropriate for display -Absence of clutter -Able to see all items	0 5 10 15 20
TIMELINESS -Appropriate merchandise for season, special event -Appropriate colors used -Appropriate theme, show cards and other messages	0 5 10 15 20
ARRANGEMENT -Reflection of store image -Related merchandise used -Appropriate number of items used	0 5 10 15 20
CRAFTSMANSHIP -Condition of display case (clean, in good repair) -Neatness with which the display elements were put together -Condition of props and merchandise used	0 5 10 15 20

OVERALL RATING OF DISPLAY (Add numbers above) (__________)

STORE LAYOUT
UNIT I

ASSIGNMENT SHEET #2--PREPARE A STORE LAYOUT

NAME ________________________________ SCORE ____________________

Maintenance of displays and design of basic store layout patterns are frequently the responsibility of supervisory managers. It is therefore important that you work with store facilities to best meet the needs of your customers and the store itself.

In this assignment you should assume the role of the manager in charge of store layout. Read the case study and prepare a layout for the store involved.

PART I--Case study

The store for which you work has recently come under the management of new owners. The new managers want to retain the current staff members; however, they want to refixture the store.

The store serves as the only neighborhood drugstore for a community of approximately 2,000 residents. The image that the new management wants to present is one of service and convenience. They plan to sell these items: Cosmetics, health and beauty aids, greeting cards and paper, housewares, infant supplies, candy, first aid products, gifts, nutritionals, and pharmacy items.

The new owners have several fixtures from which to select for their new store. (Those fixtures are shown in Part II.) As the assistant manager, you have been given the task of choosing which fixtures will best suit the merchandise and of proposing a layout plan.

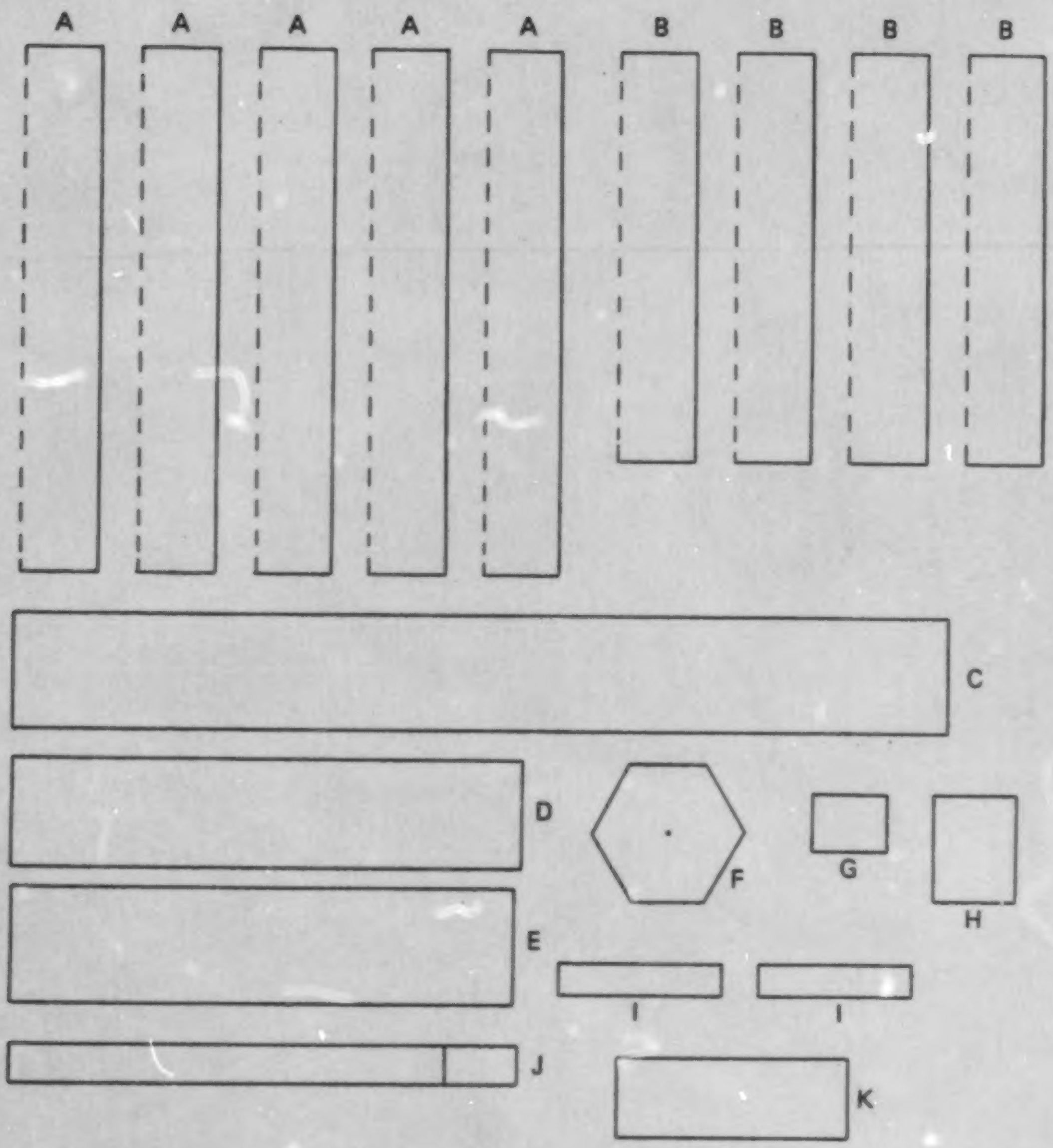
Following an examination of anticipated sales and space available for merchandise, you decide that you will need the following fixtures: one or two counters for cosmetics; two shelving units for health and beauty aids; one greeting card/paper rack; one shelving unit for housewares; one shelving unit for infant supplies; one candy merchandiser; one first aid display area; one shelving unit for gifts; and one pharmacy counter.

Select the fixtures which will best suit your ideas for layout from the template sheet in Part II and prepare a store layout.

ASSIGNMENT SHEET #2

PART II–Select appropriate fixtures

A. Fixtures available


A
A
A
A
A
B
B
B
B
C
D
F
G
H
E
I
I
J
K

ASSIGNMENT SHEET #2

B. Description of fixtures available

1. Standard fixtures--Interchangeable, metal shelving units with backs; accessible from one side only, may be joined at back

   (NOTE: Back of standard fixtures is represented by a broken/dotted line.)

   a. "A" fixtures have four shelves and stand 4 1/2 feet tall; 40 linear feet of shelving space

   b. "B" fixtures have five shelves and stand 5 1/2 feet tall; 40 linear feet of shelving space

2. Pharmacy counter with shelves for nutritionals below ("C")

3. Pharmacy counter with shelves for nutritionals below ("D")

4. Closed-case fixture ("E")

5. Revolving metal rack with shelves, 5 1/2 feet tall ("F")

6. Floor display, candy items ("G")

7. Floor display, candy items ("H")

8. Peg-Board racks

9. Card rack with shelves for paper ("J")

10. Checkout stand with register ("K")

C. Select appropriate fixtures

1. Decide which fixtures you will use in your store layout

2. Cut out fixture templates

PART III--Prepare the store layout

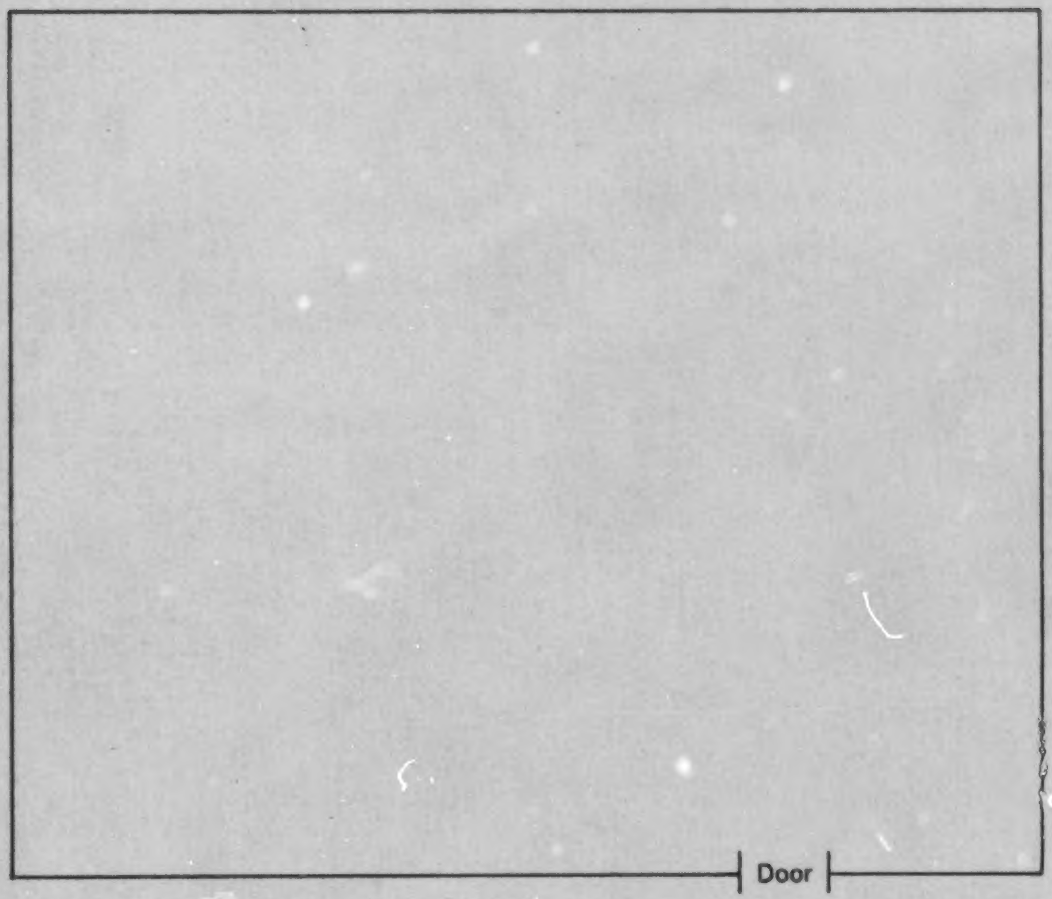
A. Arrange fixture templates on store layout sheet (see next page)

B. Glue or tape fixture templates to store layout sheet

C. Identify items to be stocked on each fixture

ASSIGNMENT SHEET #2

Store layout sheet



STORE LAYOUT
UNIT I

ASSIGNMENT SHEET #3--ANALYZE A STORE LAYOUT

NAME ______________________________ SCORE ____________________

It is important for all managers to look at their areas of responsibility, whether those areas are departments or entire stores, for layout effectiveness. That effectiveness may be determined upon a thorough examination of the merchandising practices, cost efficiency, and security within the store or department.

In this assignment, you will analyze a store layout. Use the layout that was prepared in Assignment Sheet #2 to answer the following questions. Write your answers on the lines provided below.

A. How does your layout demonstrate good departmental merchandise organization? Give at least three examples of effective organization.

B. What tendency of customer movement did you consider when placing checkout counters?

C. What are the advantages of using the type of fixtures chosen within the store or department?

ASSIGNMENT SHEET #3

D. Where might additional displays of impulse items be placed?

____

____

____

____

____

E. How does your layout arrangement promote store or departmental security?

____

____

____

____

____

STORE LAYOUT
UNIT I

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3--Evaluated to the satisfaction of the instructor

STORE LAYOUT
UNIT I

TEST

NAME ______________________________ SCORE ____________________

1. Match terms associated with store layout to their correct definitions. Write the correct numbers in the blanks.

_____a. Logical arrangement of selling and non-selling areas planned for efficient operation and maximum sales

_____b. Area within a store which has large amounts of customer movement

_____c. Item that is demanded throughout the year; customers will seek out this merchandise

_____d. Fixture that helps to carry out a theme rather than to actually hold merchandise

_____e. Fixture that physically supports or holds merchandise being displayed

_____f. Form of nonpersonal presentation of merchandise at or near the point of purchase, whereby customer attention, interest, and desire is created

_____g. Merchandise placed on tables, in bins, on counters or racks in such a manner that customer may handle and inspect items

_____h. Item which is bought on sight without previous deliberation on the part of the customer

_____i. Presentation of merchandise in such a manner that highest sales are gained at a reasonable cost to the store for the moment and for future operations

1. Decorative prop
2. Display
3. Functional prop
4. High traffic area
5. Impulse good
6. Layout
7. Merchandising effectiveness
8. Open display
9. Staple good

2. Select from the following list principles that affect store layout. Write an "X" in the blank before each correct answer.

_____a. Cost efficiency

_____b. Market fluctuations

_____c. Seasonal changes

TEST

_____d. Security

_____e. Merchandising effectiveness

_____f. Customer traffic flow

3. Discuss principles for effectively merchandising products in a retail store.

   a. Product accessibility--____________________

   b. Product visibility--____________________

TEST

4. Name the two major types of display classifications.

   a. ______________________________

   b. ______________________________

5. Distinguish between characteristic uses of the five types of interior displays. Write an "FS" for free-standing floor display; an "IG" for island/gondola display; an "EC" for end-cap display; a "CC" for closed case display; a "POP" for point-of-purchase display; and an "FL" for flying/suspension display, in the blanks.

   _____a. Use for security in merchandising small, expensive items

   _____b. Arrange fixtures to attract eye of customer

   _____c. Use large, open display tables to stack merchandise

   _____d. Suspend items from ceiling in order to make maximum use of store's vertical space

   _____e. Use to sell large-volume, fast-moving merchandise

   _____f. Use to promote specially priced, new, or seasonal merchandise

   _____g. Place at end of merchandise aisle

   _____h. Show motion by folding and/or extending various elements of the merchandise

   _____i. Use for certain unpackaged food items to avoid damage and/or contamination

   _____j. Show related merchandise within display of featured item(s)

   _____k. Use to display lightweight items

   _____l. Set up on counters and in high traffic areas

   _____m. Locate in high traffic areas where customer may reach merchandise from all sides

   _____n. Create favorable attention, interest, and desire by using color, signs, and lighting

6. Complete statements relating to the various types of window displays. Write your answers in the spaces provided.

   a. ______________________ displays have no background panel, which allows customers to see interior of the store

   b. ______________________ displays make it possible to completely separate a store's interior from display window

   c. ______________________ displays have a half panel background, which allows customers to see over displayed merchandise and into store's interior

TEST

7. Select from the following list principles used in creating window displays. Write an "X" in the blank before each correct answer.

______a. Display items that are not selling; try to clear this merchandise from the store

______b. Display any item; attractiveness of the item being displayed does not matter, decorative props may be used to brighten up the display

______c. Choose merchandise that is currently making news: Has *time appeal*

______d. Emphasize merchandise line, shape, size, texture, weight, and color with an effective background

______e. Use the floor of the window as it is; covering is not important since props are usually used

______f. Ignore sides and ceiling of the display because they are rarely, if ever, seen by the customer

______g. Spotlight certain items by placing a cover with a small hole in the center over the light source

______h. Pinpoint large items of merchandise and/or sections of the display by using large, high intensity bulbs

______i. Use floodlights in ceiling of case to spread intense light over entire display area

______j. Show bargain or clearance sale items in *sale* displays

______k. Present one kind of merchandise, or one manufacturer's goods in *related merchandise* displays

______l. Use *line-of-goods* displays to feature merchandise that is related to an event taking place

______m. Show items that may be used together in a *special-event* display

______n. Emphasize merchandise through use of lighting

______o. Use most areas of the display case

______p. Select merchandise appropriate for the display

______q. Use window displays for a variety of purposes

______r. Show merchandise at its best vantage by using props

______s. Use *decorative props* to physically support or hold merchandise being displayed

TEST

______t. Use *functional props* to help carry out a theme, rather than to actually hold merchandise

______u. Create signs to communicate information that is shown in the display

8. Discuss ways to increase cost efficiency through effective store arrangement.

   a. Stock availability--______________________________

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   b. Receiving facilities--______________________________

   ____

   ____

   ____

   ____

9. State ways to improve store security through effective layout design.

   a. ______________________________

   b. ______________________________

   c. ______________________________

10. Distinguish among types of layout arrangements. Write a "G" for gridiron pattern, an "F" for free-flow pattern, and a "C" for combination pattern, in the blanks.

______a. Facilitates store individuality and attractiveness

______b. Combines advantages of the other arrangement patterns

______c. Increases customer exposure to merchandise

______d. Allows more merchandise to be displayed in less space

______e. Provides alternate courses for customer movement throughout the store

TEST

_____f. Facilitates use of standardized fixtures throughout store

_____g. Adapts easily to fit any building structure and design

(NOTE: Test questions 11-13 are assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

11. Evaluate the visual effectiveness of a display.

12. Prepare a store layout.

13. Analyze a store layout.

STORE LAYOUT
UNIT I

ANSWERS TO TEST

1. a. 6 f. 2
   b. 4 g. 8
   c. 9 h. 5
   d. 1 i. 7
   e. 3

2. a, d, e

3. Discussion should include

   a. Product accessibility

      1) Adequate space for aisles and traffic movement is essential

         a) Measure the amount of space needed for walking and for moving stock

         b) Place carts and standing displays to the right of the front doors

      2) Arrange merchandise into departments according to type

         a) Show the same kinds of goods together according to brand and size

         b) Place related merchandise in adjacent departments

         c) Place staple goods at rear of store

         d) Display impulse items in aisles leading to staple goods

         e) Arrange as many displays as possible to sell high profit items

         f) Arrange certain items in areas appropriate to their physical characteristics

   b. Product visibility

      1) Arrange displays in an effective manner

      2) Use informative and attractive signs to enhance displays

      3) Install "warm white" fluorescent bulbs for efficiency and quality color retention

      4) Highlight displays and special areas with increased lighting

      5) Create a subtle effect by using color to enhance displays

ANSWERS TO TEST

4. a. Interior displays
   b. Window displays
5. a. CC
   b. FS
   c. IG
   d. FL
   e. POP
   f. EC
   g. EC
   h. FL
   i. CC
   j. FS
   k. FL
   l. POP
   m. IG
   n. FS
6. a. Open window
   b. Closed window
   c. Semi-closed window
7. c, d, i, j, n, p, q, r
8. Discussion should include
   a. Stock availability
      1) Arrange shelving and/or rack space for most efficient storage of items
      2) Plan stockroom for stock rotation
      3) Make stock accessible to selling area
      4) Arrange stock so that stockpeople and/or salespeople can easily locate merchandise
      5) Place fast-moving-item stock as close to selling area as possible
   b. Receiving facilities
      1) Use regular entrance for small items
      2) Use special loading platform area for large items, as needed
9. a. Arrange store layout for unobstructed view of selling area; reduce blind spots
   b. Set up security devices to reduce losses from shoplifting and burglaries
   c. Enclose small, expensive items in lighted, closed-case display fixtures

ANSWERS TO TEST

10. a. F
    b. C
    c. F
    d. G
    e. F
    f. G
    g. G
11. Evaluated to the satisfaction of the instructor
12. Evaluated to the satisfaction of the instructor
13. Evaluated to the satisfaction of the instructor

STORE SECURITY
UNIT II

UNIT OBJECTIVE

After completing this unit, the student should be able to secure a retail store in such a manner that criminal actions against the firm are minimized. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with store security to their correct definitions.
2. Select from a list primary aspects of store security.
3. Describe ways to secure store premises to prevent burglary.
4. Select from a list ways to guard the store's cash in order to prevent burglary.
5. Describe ways to take protective measures against robbery.
6. Select from a list rules to follow during a robbery.
7. Describe ways to prevent shoplifting losses.
8. Match names of methods used by shoplifters to their correct descriptions.
9. Select from a list signals used in detecting shoplifters by their actions.
10. Discuss steps to follow in apprehending a shoplifter.
11. State techniques of internal theft used in retail stores.
12. Describe ways to limit internal theft.
13. Make a door code device for determining an offender's height.
14. Make an anti-shoplifting poster.
15. Solve a management case study.
16. Complete a retail store security checklist.

STORE SECURITY
UNIT II

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order materials planned to supplement unit.

(NOTE: The three films listed below are available on a free-loan basis to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order from the addresses listed with the films.)

1. *Preventing Employee Theft.* Color, 12 minutes, NE, 1970. Available from National Educational Media, 21601 Devonshire Street, Chatsworth, California 91311.

   (NOTE: This film shows ways to reduce employee embezzlement, a multibillion-dollar-a-year problem faced by all organizations.)

2. *Shoplifting.* Color, 20 minutes, ACI Films, 1975. Available from ACI Films, 12 Jules Lane, New Brunswick, New Jersey 08902.

   (NOTE: This film is designed to educate the community about the seriousness of shoplifting and the economic effects of this theft. Shoplifting leads to a criminal record.)

3. *Shoplifting: Sharon's Story.* Color, 26 minutes, Learning Corporation, 1978. Available from Learning Corporation, 1350 Avenue of the Americas, New York, New York 10019.

   (NOTE: In this film a teenage girl is arrested for shoplifting, fingerprinted, photographed, and summoned to court. She now has a police record.)

4. *Preventing Retail Theft: Small Marketers Aids No. 19; Preventing Burglary and Robbery Loss: Small Marketers Aids No. 134;* and *Preventing Employee Pilferage: Management Aids No. 209.* Washington, D.C.: U.S. Government Printing Office.

   (NOTE: These are a series of pamphlets designed by the Small Business Administration, available through the U.S. Government Printing Office.)

5. *Commercial Security,* stock No. 027-000-00530-6. Washington, D.C.: U.S. Department of Justice, Public Information Office, 633 Indiana Avenue, Northwest.

   (NOTE: This is a pamphlet by the Law Enforcement Assistance Administration which gives hints on protecting a business from burglary, robbery, shoplifting, and employee theft.)

SUGGESTED ACTIVITIES

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

G. Explain that several forms of store security are presented in this unit. It is unlikely that any one business would use every one shown here.

H. Discuss the DECA Shoplifting Prevention event.

I. Conduct workshop sessions on store security and/or shrinkage control for area businesses.

J. Take a field trip to an area business and look over its security systems.

K. Have students read newspapers, magazines, and trade journals for articles on store security.

EXAMPLES: *Chain Store Age, The Discount Merchandiser, Current Consumer*

L. Use the poster rating sheet in Assignment Sheet #2 to rate posters made by elementary and/or junior high students during a DECA-sponsored poster contest.

M. Assist students, if necessary, in making necessary arrangements with their training sponsors or other business managers to walk through stores to complete Assignment Sheet #4.

N. Give test.

O. Reteach and retest if necessary.

II. Instructional materials

- A. Objective sheet
- B. Suggested activities
- C. Information sheet
- D. Transparency masters
  1. TM #1--Securing Store Premises
  2. TM #2--Protection Against Robbery
  3. TM #3--Thanks for the Memory

SUGGESTED ACTIVITIES

E. Assignment sheets

   1. Assignment Sheet #1--Make a Door Code Device for Determining an Offender's Height

   2. Assignment Sheet #2--Draw an Anti-Shoplifting Poster

   3. Assignment Sheet #3--Solve a Management Case Study

   4. Assignment Sheet #4--Complete a Retail Store Security Checklist

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. *Commercial Security.* Washington, D.C.: U.S. Government Printing Office, 1977.

B. *Crime Prevention for Small Business, Small Business Reporter.* San Francisco: Bank of America, 1977.

C. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

STORE SECURITY
UNIT II

INFORMATION SHEET

I. Terms and definitions

   A. Burglary--Act of breaking and entering a building with the intent to commit a larceny offense

   B. Internal theft--Act of committing larceny against one's employer

   C. Larceny--Act of stealing from another; taking and carrying another's personal property

   D. Robbery--Taking personal property from another by force, threat, or violence

   E. Shoplifting--Act of committing larceny against a retail store with stealth

      (NOTE: Shoplifting of small items by an employee is called pilferage.)

   F. Shortage--Loss of money/merchandise created through dishonesty and/or neglect

   G. Shrinkage--Any unexplained reduction in the value of a store's inventory

   H. Stealth--A secret or sly manner

   I. Surveillance--Close observation of a person or group suspected of committing an offense

II. Primary aspects of store security

   A. Prevent burglary

   B. Take measures against robbery

   C. Prevent shoplifting

   D. Take measures against internal theft

III. Ways to secure store premises to prevent burglary (Transparency #1)

   A. Install and use locks on all doors and windows

      1. Use sturdy deadbolts and pin-tumbler cylinders

      2. Consult a locksmith for inspection and recommendations

   B. Establish a conscientious key control policy

      1. Stamp "Do not duplicate" on all store keys

      2. Change locks and issue new keys as personnel changes occur, or as necessary to maintain control

INFORMATION SHEET

C. Recommend store use of tempered or laminated glass, or impact-resistant plastic windows

D. Recommend store use of iron screens, grilles, or bars on windows and doors

   1. Select style that complements store decor

   2. Help ward off hit-and-run offenses with grilles

E. Secure transoms, skylights, ventilator shafts, air vents, and manholes with steel mesh screens or bars

F. Seal off openings which serve no purpose

   (CAUTION: Check with the fire department before permanently sealing off openings which apparently serve no purpose.)

G. Keep interior and exterior well-lighted at night

H. Maintain a clean store exterior

   1. Clear adjacent grounds of tall grass and brush

   2. Keep all exterior areas free of clutter

I. Use security patrols, guards, and/or lease watchdog service to protect the premises

J. Use store's alarm system

IV. Ways to guard the store's cash in order to prevent burglary

   A. Make frequent bank deposits

   B. Use a safe

      1. Install a burglar-resistant safe to guard against break-in

         (NOTE: Avoid using fire-resistant safe for burglary prevention. They are relatively easy to break open.)

      2. Remove wheels and/or casters to avoid theft of the entire safe

      3. Place safe, equipped with spy-proof dial, in the front of the store in full view of customers and police patrols

V. Ways to take protective measures against robbery (Transparency #2)

   (NOTE: According to the Bank of America *Small Business Reporter,* robberies account for only three percent of all business losses. This low figure, however, does not convey the real terror which accompanies the act of robbery.)

INFORMATION SHEET

A. Handle cash with care

1. Close out register daily

   a. Total register

   b. Count out change fund

   c Complete register tally and any other daily summary forms

   d. Complete deposit of daily receipts

   e. Wrap coins and bills per instructions

   f. Leave register per instructions

   (NOTE: Some businesses prefer register drawers be left open at night while others insist they be locked.)

   g. Secure money per instructions

2. Make frequent bank deposits

   a. Do not carry cash in obvious containers/bags; a locking briefcase is preferred

   b. Vary time and route to make bank deposits

3. Use armored car services

4. Use dual-control safe

   a. Drop in cash without opening door

   b. Opens only when armored car guard and store manager jointly unlock safe

5. Use safe with inner compartment

   a. Drop cash into special compartment through a deposit shank

   b. Insure that only management, not employees, has access to special compartment

B. Institute physical deterrents against robbery

1. Maintain ample lighting inside and outside store

2. Keep windows clean and uncluttered

3. Post decals to advertise security system(s)

   EXAMPLES: Minimum amounts of cash on hand, security system logo

INFORMATION SHEET

4. Maintain surveillance camera according to company policy
5. Install an alarm system in or near each cash register

VI. Rules to follow during a robbery (Transparency #3; Assignment Sheet #1)

A. Do not try to fight robbers off

(NOTE: Cooperate with robbers. Do not volunteer any information, but give them anything they ask.)

B. Note areas that the robber touches

1. Cover areas with paper until police arrive on scene
2. Do not add additional fingerprints to the area(s)

C. Note in writing as many characteristics about the robber as possible

EXAMPLES: Height, weight, hair color, complexion, scars, identifying marks, clothing

D. Call police department as soon as possible

E. Report all information to police investigators

(NOTE: Make a list of items stolen that have serial numbers. Submit the list to the bureau of police statistics of your local police department in case stolen items are recovered.)

VII. Ways to prevent shoplifting losses (Assignment Sheet #2)

A. Train all sales personnel to be helpful to all customers and to be alert to shoplifting techniques

B. Train cashiers to be familiar with store prices and price tags

C. Display merchandise in an orderly manner; keep empty hangers off fixtures at all times

D. Position cash registers so that cashier has an unobstructed view of store aisles

E. Lock closed-case displays of small, expensive merchandise

F. Use viewing devices to deter shoplifters

(NOTE: Viewing devices act as psychological deterrents, but only for a short period of time. They should be rotated approximately every six months.)

1. Use two-way mirrors to view customers' activities from the selling floor
2. Use one-way viewing windows to observe customers from a security booth

INFORMATION SHEET

G. Price merchandise with tamper-proof price tags

EXAMPLES: Plastic strips that must be cut off with scissors, gummed tags that are cut into sections, electronic tags that must have diode removed with a special tool

H. Display shoplifting prevention posters in dressing rooms, at cash registers, and in various store departments

VIII. Methods used by shoplifters

A. Switch marking--Exchanging price tags in order to pay a lower price

(NOTE: This is also called price switching.)

B. Concealing merchandise--Hiding merchandise from view

1. Dressing room techniques--Using dressing rooms to put merchandise under customer's clothing or switch new for used item
2. Between the legs (female technique)--Placing merchandise between legs and concealing with a full skirt or long coat
3. Booster boxes--Using a pre-wrapped package with a false bottom opening
4. Palming merchandise--Handling merchandise, concealing it in a newspaper or scarf, and walking out with merchandise
5. Pocketing merchandise--Carrying off merchandise in pockets, sacks, purses, baby strollers/bags, umbrellas, or briefcases

C. Team operations--Two or more persons plan to divert salesperson's attention while one conceals/steals merchandise

D. Refund request method--Taking item from selling floor to customer service counter for a refund

IX. Signals used in detecting shoplifters by their actions

(NOTE: Every customer is a potential shoplifter.)

A. Most shoplifters appear nervous

1. Move in quick, jerky manner
2. Look more at the area than at the merchandise

B. Most shoplifters move around in one small area

1. Circle one area several times without making a purchase
2. Look for attentive clerks by moving merchandise from one section of the store to another

INFORMATION SHEET

C. Many shoplifters carry newspapers, boxes, umbrellas, or other items that will be used to conceal merchandise

X. Steps to follow in apprehending a shoplifter

A. Establish a policy of prosecuting shoplifters and stick to it

B. Keep the suspect under constant surveillance

C. Know the location of the concealed good(s)

D. Alert another employee/manager or special security personnel on duty

E. Confront the shoplifter only when you are *positive* that larceny against the store has actually taken place

EXAMPLES: Merchandise has been concealed, or price tag has been switched; merchandise is still in the shoplifter's possession; merchandise has been taken from the store without payment.

F. Do not use force to apprehend a suspect

(NOTE: The suspect may be carrying a weapon. Take precautions against injury.)

G. Approach the suspect and identify yourself

H. Attempt to gain the suspect's cooperation

EXAMPLE: Say, "I believe you have some merchandise on your person (or in your bag) which you have forgotten to pay for. Would you mind coming back to the store office to straighten out this matter?"

I. Establish the suspect's identity by asking for some form of identification

J. Mark merchandise recovered from the suspect for identification

K. Do not make any agreements to let the shoplifter go if the merchandise is returned to the store

L. Give the police all information

M. Agree to sign an affidavit for the police to use in charging the suspect with larceny

N. Release the merchandise to the police

1. Obtain a receipt for the merchandise
2. Handle the merchandise as necessary when it is returned to the store

INFORMATION SHEET

XI. Techniques of internal theft used in retail stores

(NOTE: The Department of Commerce estimates that as much as 80 percent of all retail shortages are caused by employees.)

A. Cashier/clerk pockets money tendered in exact amount of sale instead of ringing it up on the register

B. Salesperson gives an unauthorized discount to a friend

C. Cashier uses a customer's receipt for personal "purchase" or "refund" without ever actually buying the merchandise

D. Employee intentionally damages merchandise in order to get a discount

E. Employee takes merchandise from the receiving dock to his/her car

F. Clerk sends package or unauthorized rain checks to a friend's house

G. Employee takes food from shelf and consumes it for lunch

H. Cashier hides merchandise under counter until it is time to go home, then carries it off

I. Cashier rings up only a few items in a customer's cart and passes several items through the line without charge

XII. Ways to limit internal theft (Assignment Sheets #3 and #4)

A. Take every precaution to hire honest people

1. Run a conscientious reference check on every new employee

2. Watch for accuracy in cash register operation

EXAMPLES: Cash shortage, allowing items to go by without charge, pocketing "correct change" money

3. Train employees in ways to eliminate shrinkage

B. Establish a store atmosphere that will encourage honesty

1. Adopt a "zero shortage" attitude

2. Set high standards in conduct and in work performance

3. Avoid setting a double standard of moral and ethical conduct

(NOTE: If employees see their supervisor commit a dishonest act, they will be inclined to act in the same manner.)

INFORMATION SHEET

4. Treat all employees with courtesy and consideration

5. Assign job tasks that may reasonably be achieved; do not expect employees to do the impossible

C. Encourage employees to work and act honestly

1. Match each employee to his/her job

2. Establish reasonable rules and enforce them rigidly

3. Provide employees with necessary resources to accomplish their jobs

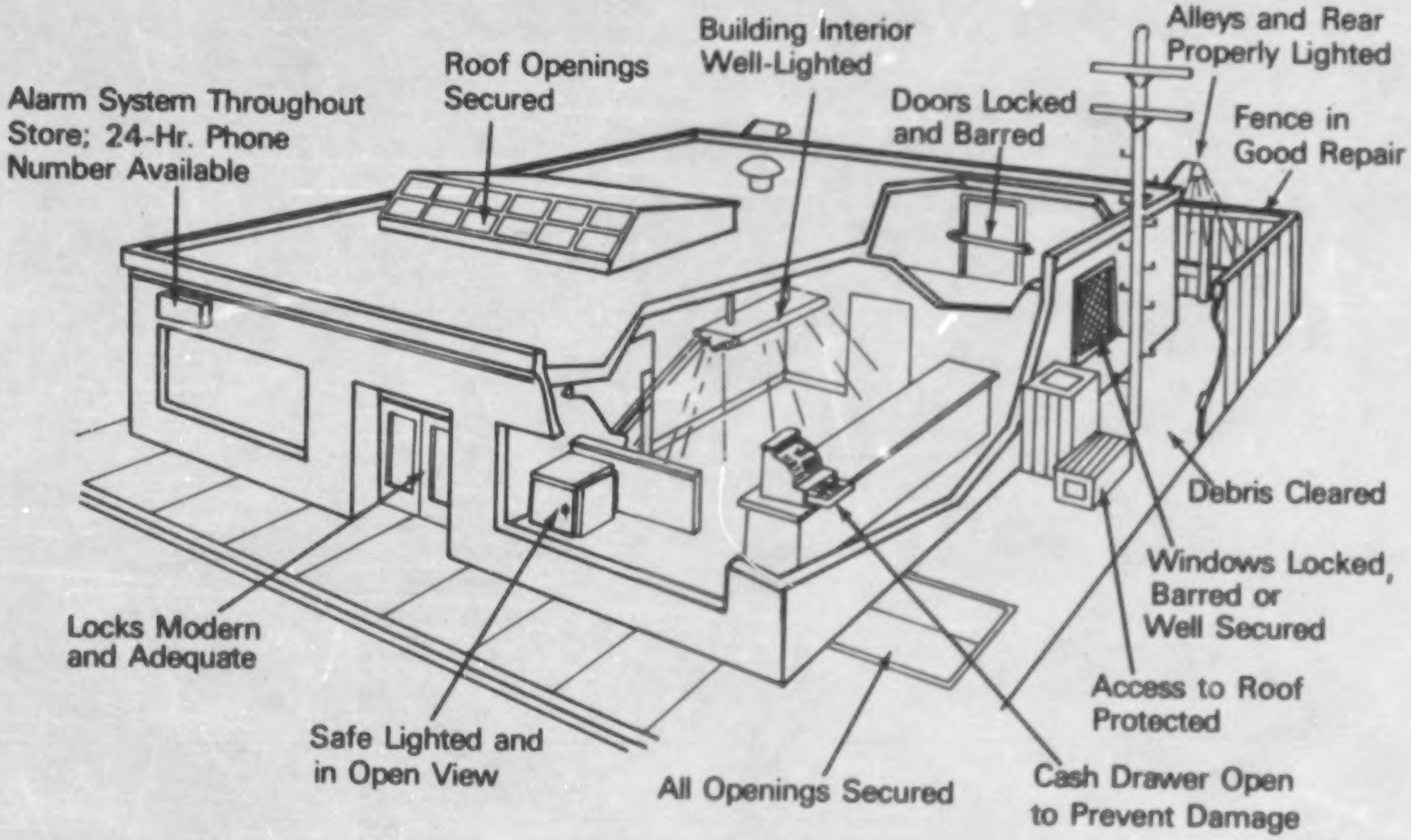
4. Reward outstanding performance

5. Establish clear lines of authority and responsibility

6. Remove the temptation to steal

EXAMPLES: Provide secured area for female employee purses; issue uniforms/smocks without pockets; issue employee name badges; provide secured employee coat room; control keys to secured areas.

Securing Store Premises



Alarm System Throughout Store; 24-Hr. Phone Number Available

Roof Openings Secured

Building Interior Well-Lighted

Doors Locked and Barred

Alleys and Rear Properly Lighted

Fence in Good Repair

Debris Cleared

Windows Locked, Barred or Well Secured

Access to Roof Protected

Cash Drawer Open to Prevent Damage

All Openings Secured

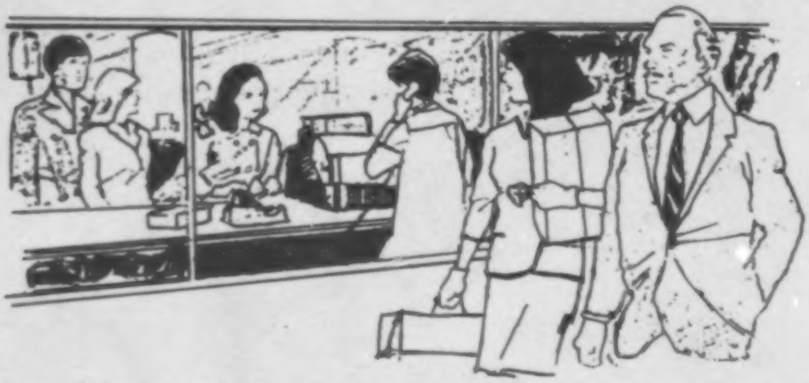
Safe Lighted and in Open View

Locks Modern and Adequate

Protection Against Robbery

Be "Sociable"

Try not to work alone. If you must, leave a radio or TV playing in a back room .



Be visible. Arrange your counter so customers face the street, in full view of passersby. Try not to turn your back on a customer – install phones where you can keep an eye on things.

Don't Flash the Cash

Vary your deposit procedure daily.

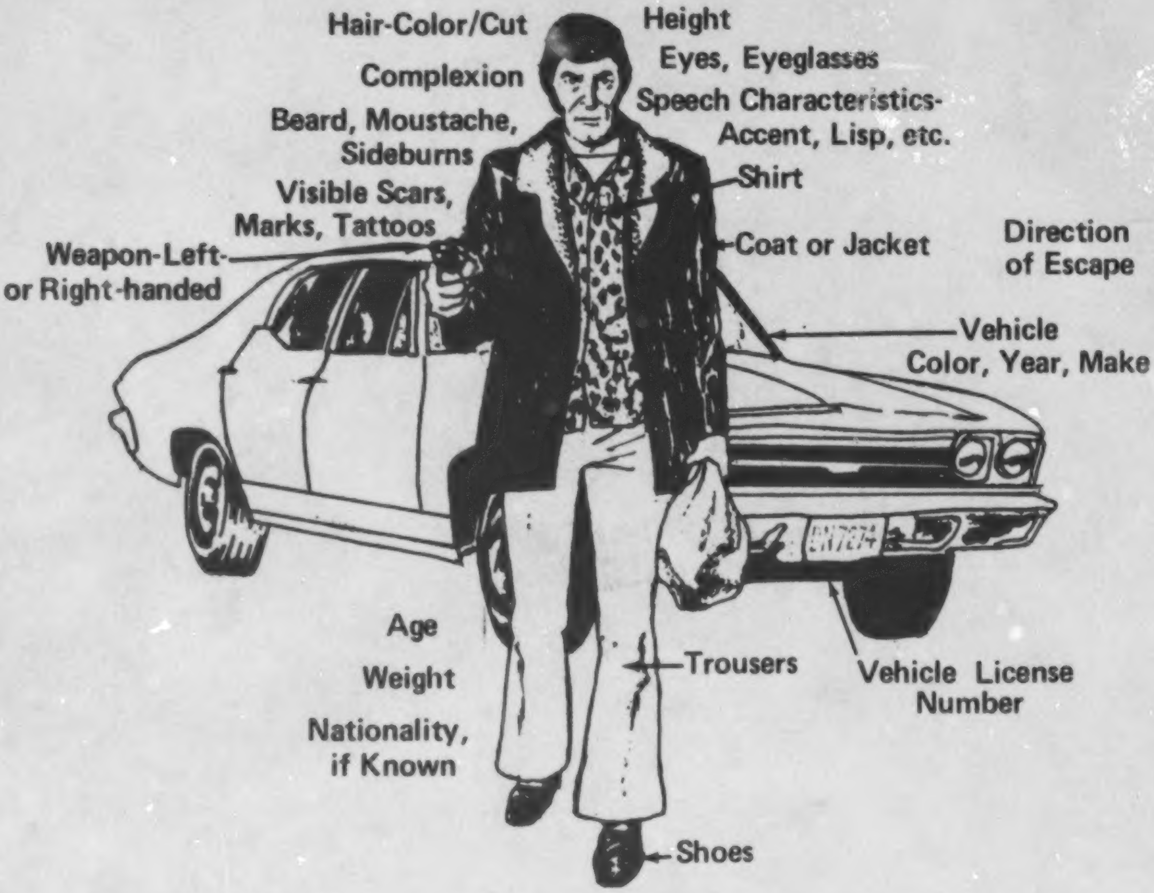
Deposits by armored car are best. Where you must rely on individuals, carry money inside coat and trouser pockets, never in handbags, moneybags, paper sacks, or unlocked briefcases.

After a robbery, don't make the mistake of inviting another attack by revealing operating methods or large losses in the newspaper.

Record the dates and serial numbers of a few bills and keep them separate as "bait money" for tracing by the police.

Thanks for the Memory

Most Robberies are Over in Less Than One Minute. Take Note of Everything you Can...the Robber's Size, Weight, Build, Dress, Speech, Abnormalities, Method and Direction of Getaway.


Hair-Color/Cut
Height
Complexion
Eyes, Eyeglasses
Beard, Moustache, Sideburns
Speech Characteristics-Accent, Lisp, etc.
Shirt
Visible Scars, Marks, Tattoos
Weapon-Left-or Right-handed
Coat or Jacket
Direction of Escape
Vehicle Color, Year, Make
BN7274
Age
Weight
Nationality, if Known
Trousers
Vehicle License Number
Shoes

Don't Compare Notes With Other Witnesses. It's Easy to Become Confused.

STORE SECURITY
UNIT II

ASSIGNMENT SHEET #1--MAKE A DOOR CODE DEVICE FOR DETERMINING AN OFFENDER'S HEIGHT

NAME ______________________________ SCORE ______________

Every working day, somewhere in the United States, hundreds of retail stores are "hit" by burglars, robbers, and shoplifters. Annual losses are in the millions of dollars. It is management's responsibility to take measures to minimize the probability of criminal attack. Although stores take precautions, there is no guarantee that their businesses will not be the next victims of a burglary or larceny attempt.

During any assault on a store, management's primary concerns must be for personal safety and for the safety of all employees and customers. Observation, not force, is the best practice which will assist in the arrest and conviction of an offender. For many store employees, it is not difficult to note characteristics such as hair color, complexion, visible scars, clothing, and approximate age. Estimating height, however, is usually not quite as easy. There are two common ways to estimate an offender's height. They are: (1) compare the offender/robber to a fixture or other structure within the store; and (2) code the store's door frames with various height markings.

There are different ways in which to mark a door. A few are listed below:

A. Cut two-inch strips of paper the length of the door. Mark off two-inch sections and color every other section. Change color every foot. Place the strips on the outside edges of the door's interior. As the offender leaves, watch the door code device to determine his or her approximate height.

B. Use artistic figures to mark the outside edges of the door's interior frame. Place them three to four inches apart, with larger figures to mark each foot.

C. Use your imagination to design a door code device. Be sure to identify every one-foot change.

In this assignment sheet, you will make a door code device which could be used in a retail store. Select one of the methods listed above and use supplies furnished by your instructor. Attach your door code device to this sheet and turn it in for grading.

STORE SECURITY
UNIT II

ASSIGNMENT SHEET #2--MAKE AN ANTI-SHOPLIFTING POSTER

NAME ______________________________ SCORE ______________

One of the most popular psychological devices that retail stores use to deter customers from stealing merchandise is to let them know that the firm has a policy of prosecuting shoplifters. That policy is made public through the use of anti-shoplifting posters which are hung throughout the store.

In this assignment you may use any available supplies to make an anti-shoplifting poster. The rating sheet on the following page will be used to evaluate this activity.

(NOTE: Use the space below to sketch ideas for your poster.)

ASSIGNMENT SHEET #2

POSTER RATING SHEET

	Low score				High score
Ability to attract attention	6-8	9-11	12-14	15-17	18-20
Appropriateness of theme	6-8	9-11	12-14	15-17	18-20
Creativity in development	6-8	9-11	12-14	15-17	18-20
Correct spelling, word usage	2-3	4-5	6-7	8-9	10
Appropriate use of color	2-3	4-5	6-7	8-9	10
Overall effectiveness	6-8	9-11	12-14	15-17	18-20
Total points (100 possible)					____

STORE SECURITY
UNIT II

ASSIGNMENT SHEET #3--SOLVE A MANAGEMENT CASE STUDY

NAME ________________________________ SCORE ______________

Internal theft accounts for approximately 80 percent of all retail store losses every year. In fact, employees steal billions of dollars of merchandise and money from their employer's place of business annually. A problem of that magnitude cannot be overlooked by management.

In this assignment, you will read a case study involving internal theft and tell how you would react under the circumstances given in the problem.

PART I--Case study

You have seven full-time and three part-time sales clerks who use four cash registers located in various departments of the store. Each register will allow eight persons to ring up sales by using a separate key. Each register has only one cash drawer. You are the assistant store manager and do not have an assigned key or register. Whenever you or the store manager make a sale, it is rung up on someone else's key--usually department manager's key.

Three registers have been coming up short for the past three months. You have held store meetings concerning the proper handling of cash register procedures. All employees satisfactorily performed the tasks after the training sessions. You have checked the cash drawers at various times throughout the day. You have checked vacation time taken, the work schedule, and personnel records to determine which employees might be taking the money. These procedures have led you to believe that two of the full-time employees and the part-time clerks bear watching. Morale had dropped because employees know that you and the manager "suspect" someone of stealing.

Presently, everyone uses all registers. Full-time sales clerks are assigned key numbers #1-#7. Part-time employees use key #8. One part-time employee works 10 a.m.-4 p.m. Wednesday through Saturday. One part-time employee works 2-8 p.m. Monday, Wednesday and Friday, and the other part-time person works 2-8 p.m. Tuesday, Thursday, and Saturday.

Since the shortage has been totaling $20-$50 per week from all registers, you have been directed by the store manager to "find the thief and get rid of that person."

PART II--How would you react?

A. Identify the true problem.

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ASSIGNMENT SHEET #3

B. Gather information.

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C. List possible solutions.

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D. Evaluate probable results of each solution.

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E. Decide on the best solution. Why?

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STORE SECURITY
UNIT II

ASSIGNMENT SHEET #4--COMPLETE A RETAIL STORE SECURITY CHECKLIST

NAME ____ SCORE ________________

There is no single formula for ensuring that a business will be free from the threat of burglary, robbery, shoplifting, and internal theft. Management should, however, take all possible measures to guard against these problems. Several times every year management should run a security check to verify that security controls are being used throughout the store. One of the most popular controlling devices used to check on security procedures is a checklist. An example of such a checklist appears on the following several pages.

In this assignment, you will complete a retail store security check. Use the checklist provided.

(NOTE: Be sure to make arrangements with your training sponsor or other business manager to walk through the store to complete this assignment. *Do not complete this activity without permission from the store's manager.*)

SECURITY CHECKLIST

Name of store ____

Location of store ____

Date of security check ____

Permission given by ____
(Manager's signature)

FRONT END OPERATIONS

( ) All items which could contain other merchandise are examined at the checkout.

( ) Each customer's purchase is recorded as a separate transaction.

( ) All monies are put in the register at the time of the sale.

( ) Register drawers are closed after each transaction.

( ) Merchandise is wrapped only after all monies have been registered.

( ) Register receipts are stapled to each customer's package.

( ) No register receipts are in the trash or surrounding checkout area.

( ) Over-rings are under the control of a supervisor at a central location within the front end.

( ) Over-rings are approved by the supervisor at the time the error is made.

( ) Refunds are handled according to company policy.

ASSIGNMENT SHEET #4

( ) Employee purchase system is established and enforced.

( ) Policy is established and enforced covering merchandise marked at checkout.

( ) Understock area of checkout counters is kept clear of personal packages and odd merchandise.

( ) Bank credit charges and checks are approved by the front end supervisor for accuracy and complete information.

( ) Checkouts are adequately manned to meet the customer traffic.

( ) Register windows are kept clear.

( ) Registers are locked when not in use.

( ) Detail tapes and customer receipt tapes are legible.

( ) Register keys are made available only to authorized personnel.

( ) Registers are read/cleared on schedule, as determined by management.

SELLING FLOOR OPERATIONS

( ) Customers are waited on promptly.

( ) There is sufficient supervision on the sales floor at all times.

( ) All areas on the sales floor are easily observable by personnel.

( ) Price signs correspond to item price tags.

( ) All merchandise is properly marked.

( ) Merchandise in understocks is kept neat and clean.

( ) Reduced price merchandise is marked in special ink or tags and is properly recorded on markdown form.

( ) Accurate records are kept of markups and markdowns.

( ) Employees are not allowed to keep merchandise in understock to be written up later.

( ) All personal items are kept out of understock areas and counter shelves.

( ) Small items are displayed near checkouts where they can be easily observed by store personnel.

( ) Floors are kept clear of any obstructions, litter, and water.

( ) Merchandise is protected from dirt and dust.

( ) Expensive items are adequately safeguarded with security devices.

ASSIGNMENT SHEET #4

( ) Displays are kept neat, clean, and orderly.

( ) Layaway procedures are established and enforced.

( ) Dressing rooms are kept clean and free of hangers, tickets, and merchandise.

( ) All store personnel wear name badges while on the job.

( ) Employee purchases are properly handled according to store policy.

OFFICE OPERATIONS

( ) Office door is kept locked at all times.

( ) Only authorized personnel have keys to office area.

( ) All cash is kept in locked cash drawer. Excess cash is locked in the safe.

( ) Change fund is balanced daily.

( ) Cash records are reviewed weekly by management.

( ) Money orders and checks are kept in a locked drawer.

( ) All checks are cashed according to company policy.

( ) Refund books are controlled by management.

( ) Employee purchases are verified by authorized personnel.

( ) Check imprinting machine is safeguarded from unauthorized personnel.

( ) Bank deposits are made accurately and frequently.

( ) Bank deposits are taken to the bank by more than one person.

( ) Time and route to bank varies from day to day.

( ) Office is neat and clear, free from any unnecessary clutter.

STOCKROOM OPERATIONS

( ) Stockroom is kept clean and neat; merchandise is protected from dirt, dust, and damage.

( ) All seasonal merchandise and props are stored properly with labels on packages.

( ) There is a locked security area provided for small expensive items.

( ) Unauthorized persons are restricted from entering the stockroom area.

( ) Stockroom is locked after store hours.

ASSIGNMENT SHEET #4

SHIPPING AND RECEIVING OPERATIONS

( ) Receiving doors are locked at all times when not in use.

( ) All shipments and deliveries are properly received and signed for by authorized personnel.

( ) All shipments are entered in the receiving book immediately upon receipt of goods.

( ) Shipments are checked for shortages and damages.

( ) Deliveries are checked for shortages and damages.

( ) Empty cartons and containers are checked for merchandise before disposal.

( ) Trash removal is supervised.

( ) Unauthorized persons are restricted from entering the shipping and receiving area.

GENERAL SECURITY OPERATIONS

( ) All locks, alarms, and other protective devices are in good working condition.

( ) Windows are in good condition and secured.

( ) Lock-changing procedures are followed as necessary.

( ) Employees are instructed on how to handle cases of shoplifting, robbery, internal theft by co-workers, and fire.

( ) Regular meetings are held with employees to discuss store security and shrinkage control.

( ) Weekly security reports are made and posted as determined appropriate by management.

( ) Money pickups and vending machine collections are made by more than one person.

( ) There is a supervisor on the floor at all times.

( ) Layaway room is secured.

( ) Employees' coats, purses, packages, purchases, and other personal items are kept in a designated, secured area of the store.

( ) Employee and public restrooms are kept neat and clean.

( ) Emergency exits are free of clutter and are appropriately marked.

STORE SECURITY
UNIT II

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3--Evaluated to the satisfaction of the instructor

Assignment Sheet #4--Evaluated to the satisfaction of the instructor

STORE SECURITY
UNIT II

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with store security to their correct definitions. Write the correct numbers in the blanks.

_____a. Act of committing larceny against a retail store with stealth

_____b. A secret or sly manner

_____c. Act of breaking and entering a building with the intent to commit a larceny offense

_____d. Close observation of a person or group suspected of committing an offense

_____e. Any unexplained reduction in the value of a store's inventory

_____f. Act of committing larceny against one's employer

_____g. Loss of money/merchandise created through dishonesty and/or neglect

_____h. Taking personal property from another by force, threat, or violence

_____i. Act of stealing from another; taking and carrying another's personal property

1. Burglary
2. Internal theft
3. Larceny
4. Robbery
5. Shoplifting
6. Shortage
7. Shrinkage
8. Stealth
9. Surveillance

2. Select from the following list primary aspects of store security. Write an "X" in the blank before each correct answer.

_____a. Take measures against robbery

_____b. Take measures against internal theft

_____c. Take measures to enforce OSHA regulations

_____d. Prevent burglary

_____e. Prevent shoplifting

_____f. Encourage internal larceny

TEST

3. Describe ways to secure store premises to prevent burglary.

TEST

4. Select from the following list ways to guard the store's cash in order to prevent burglary. Write an "X" in the blank before each correct answer.

______a. Use a safe

______b. Install a fire-resistant safe to guard against break-in

______c. Place safe, equipped with spy-proof dial, in a private area away from all customer traffic

______d. Use wheels and/or casters to move the safe around the area to prevent a burglar from memorizing the safe's location

______e. Make few bank deposits

5. Describe ways to take protective measures against robbery.

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TEST

6. Select from the following list rules to follow during a robbery. Write an "X" in the blank before each correct answer.

   _____a. Use force as necessary to fight robbers off

   _____b. Note areas that the robber touches

   _____c. Cover with paper the areas touched by robber until police arrive on scene

   _____d. Do not add additional fingerprints to the area(s) touched by robber

   _____e. Note in writing as many characteristics about the robber as possible

   _____f. Call police department as soon as possible

   _____g. Report all information to police investigators

7. Describe ways to prevent shoplifting losses.

TEST

8. Match names of methods used by shoplifters to their correct descriptions. Write the correct numbers in the blanks.

______a. Two or more persons plan to divert salesperson's attention while one conceals/steals merchandise

______b. Exchanging price tags in order to pay a lower price

______c. Taking item from selling floor to customer service counter for a refund

______d. Carrying off merchandise in pockets, sacks, purses, baby strollers/bags, umbrellas, or briefcases

______e. Using a pre-wrapped package with a false bottom opening

______f. Hiding merchandise from view

______g. Placing merchandise between legs and concealing with a full skirt or long coat

______h. Using dressing rooms to put merchandise under customer's clothing or switch new for used item

______i. Handling merchandise, concealing it in a newspaper or scarf, and walking out with it

1. Between the legs (female technique)
2. Booster boxes
3. Concealing merchandise
4. Dressing room techniques
5. Palming merchandise
6. Pocketing merchandise
7. Refund request method
8. Switch marking
9. Team operations

9. Select from the following list signals used in detecting shoplifters by their actions. Write an "X" in the blank before each correct answer.

______a. Most shoplifters appear cool and calm

______b. Most shoplifters will move smoothly across the department

______c. Most shoplifters will look more at the merchandise than at the area

______d. Most shoplifters move around the entire store

______e. Most shoplifters hit the area quickly and leave

______f. Most shoplifters look for attentive clerks by moving merchandise from one section of the store to another

______g. Many shoplifters carry newspapers, boxes, umbrellas, or other items that will be used to conceal merchandise

TEST

10. Discuss steps to follow in apprehending a shoplifter.

TEST

11. State seven techniques of internal theft used in retail stores.

a. ____

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b. ____

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c. ____

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d. ____

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e. ____

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f. ____

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g. ____

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12. Describe ways to limit internal theft.

a. Take every precaution to hire honest people--______________________

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TEST

b. Establish a store atmosphere that will encourage honesty--

c. Encourage employees to work and act honestly--

(NOTE: Test questions 13-16 list the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

13. Make a door code device for determining an offender's height.
14. Make an anti-shoplifting poster.
15. Solve a management case study.
16. Complete a retail store security checklist.

STORE SECURITY
UNIT II

ANSWERS TO TEST

1. a. 5
   b. 8
   c. 1
   d. 9
   e. 7
   f. 2
   g. 6
   h. 4
   i. 3

2. a, b, d, e

3. Description should include the following

   a. Install and use locks on all doors and windows

      1) Use sturdy deadbolts and pin-tumber cylinders

      2) Consult a locksmith for inspection and recommendations

   b. Establish a conscientious key control policy

      1) Stamp "Do not duplicate" on all store keys

      2) Change locks and issue new keys as personnel changes occur, or as necessary to maintain control

   c. Recommend store use of tempered or laminated glass, or impact-resistant plastic windows

   d. Recommend store use of iron screens, grilles, or bars on windows and doors

      1) Select style that complements store decor

      2) Help ward off hit-and-run offenses with grilles

   e. Secure transoms, skylights, ventilator shafts, air vents and manholes with steel mesh screens or bars

   f. Seal off openings which serve no purpose

   g. Keep interior and exterior well-lighted at night

   h. Maintain a clean store exterior

      1) Clear adjacent grounds of tall grass and brush

      2) Keep all exterior areas free of clutter

ANSWERS TO TEST

- i. Use security patrols, guards, and/or lease watchdog service to protect the premises
- j. Use store's alarm system

4. a

5. Description should include the following
   - a. Handle cash with care
     - 1) Close out register daily
       - a) Total register
       - b) Count out change fund
       - c) Complete register tally and any other daily summary forms
       - d) Complete deposit of daily receipts
       - e) Wrap coins and bills per instructions
       - f) Leave register per instructions
       - g) Secure money per instructions
     - 2) Make frequent bank deposits
       - a) Do not carry cash in obvious containers/bags; a locking briefcase is preferred
       - b) Vary time and route to make bank deposits
     - 3) Use armored car services
     - 4) Use dual-control safe
       - a) Drop in cash without opening door
       - b) Opens only when armored car guard and store manager jointly unlock safe
     - 5) Use safe with inner compartment
       - a) Drop cash into special compartment through a deposit shank
       - b) Insure that only management, not employees, has access to special compartment
   - b. Institute physical deterrents against robbery
     - 1) Maintain ample lighting inside and outside store
     - 2) Keep windows clean and uncluttered

ANSWERS TO TEST

3) Post decals to advertise security system(s)

4) Maintain surveillance camera according to company policy

5) Install an alarm system in or near each cash register

6. b, c, d, e, f, g

7. Description should include the following

   a. Train all sales personnel to be helpful to all customers and to be alert to shoplifting techniques

   b. Train cashiers to be familiar with store prices and price tags

   c. Display merchandise in an orderly manner; keep empty hangers off fixtures at all times

   d. Position cash registers so that cashier has an unobstructed view of store aisles

   e. Lock closed-case displays of small, expensive merchandise

   f. Use viewing devices to deter shoplifters

      1) Use two-way mirrors to view customers' activities from the selling floor

      2) Use one-way viewing windows to observe customers from a security booth

   g. Price merchandise with tamper-proof price tags

   h. Display shoplifting prevention posters in dressing rooms, at cash registers, and in various store departments

8. a. 9
   b. 8
   c. 7
   d. 6
   e. 2
   f. 3
   g. 1
   h. 4
   i. 5

9. f, g

10. Discussion should include the following

    a. Establish a policy of prosecuting shoplifters and stick to it

    b. Keep the suspect under constant surveillance

    c. Know the location of the concealed good(s)

ANSWERS TO TEST

d. Alert another employee/manager or special security personnel on duty

e. Confront the shoplifter only when you are *positive* that larceny against the store has actually taken place

f. Do not use force to apprehend a suspect

g. Approach the suspect and identify yourself

h. Attempt to gain the suspect's cooperation

i. Establish the suspect's identity by asking for some form of identification

j. Mark merchandise recovered from the suspect for identification

k. Do not make any agreements to let the shoplifter go if the merchandise is returned to the store

l. Give the police all information

m. Agree to sign an affidavit for the police to use in charging the suspect with larceny

n. Release the merchandise to the police

    1) Obtain a receipt for the merchandise

    2) Handle the merchandise as necessary when it is returned to the store

11. List should include any seven of the following

a. Cashier/clerk pockets money tendered in exact amount of sale instead of ringing it up on the register

b. Salesperson gives an unauthorized discount to a friend

c. Cashier uses a customer's receipt for personal "purchase" or "refund" without ever actually buying the merchandise

d. Employee intentionally damages merchandise in order to get a discount

e. Employee takes merchandise from the receiving dock to his/her car

f. Clerk sends package or unauthorized rain checks to a friend's house

g. Employee takes food from shelf and consumes it for lunch

h. Cashier hides merchandise under counter until it is time to go home, then carries it off

i. Cashier rings up only a few items in a customer's cart and passes several items through the line without charge

ANSWERS TO TEST

12. Description should include the following
    - a. Take every precaution to hire honest people
        1) Run a conscientious reference check on every new employee
        2) Watch for accuracy in cash register operation
        3) Train employees in ways to eliminate shrinkage
    - b. Establish a store atmosphere that will encourage honesty
        1) Adopt a "zero shortage" attitude
        2) Set high standards in conduct and in work performance
        3) Avoid setting a double standard of moral and ethical conduct
        4) Treat all employees with courtesy and consideration
        5) Assign job tasks that may reasonably be achieved; do not expect employees to do the impossible
    - c. Encourage employees to work and act honestly
        1) Match each employee to his/her job
        2) Establish reasonable rules and enforce them rigidly
        3) Provide employees with necessary resources to accomplish their jobs
        4) Reward outstanding performance
        5) Establish clear lines of authority and responsibility
        6) Remove the temptation to steal
13. Evaluated to the satisfaction of the instructor
14. Evaluated to the satisfaction of the instructor
15. Evaluated to the satisfaction of the instructor
16. Evaluated to the satisfaction of the instructor

STORE SAFETY
UNIT III

UNIT OBJECTIVE

After completing this unit, the student should be able to create safe store conditions for both employees and customers. This knowledge will be shown by completing the assignment sheet and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with store safety to their correct definitions.
2. Discuss major concerns for a safe workplace.
3. Match causes of on-the-job accidents with their correct examples.
4. Discuss ways to create a safe, clean retail store/workplace.
5. Discuss ways to protect life and property from fire.
6. Select from a list employer's responsibilities under OSHA.
7. Discuss steps to follow when accidents occur.
8. Complete statements relating to recordkeeping required under OSHA.
9. Analyze work area safety conditions.
10. Solve a management case study.

STORE SAFETY
UNIT III

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order films, games, and other materials planned to supplement unit.

1. *The Hazard Hunters.* Color, 14 minutes, Association Films. Available from Association Films, 512 Burlington, LaGrange, Illinois 60525.

   (NOTE: This 16mm film provides an overview of how Underwriters Laboratories provides safety margins on products. Test areas include building materials, electrical, marine, refrigeration, air conditioning, and chemical items, as well as burglary and signaling systems and devices.)

2. *Testing for Public Safety. ABCD Spells Fire Extinguisher. Extension Cord Safety. The Polarized Plug.* Slide sets, available from Underwriters Laboratories, Inc., 333 Pfingsten Road, Northbrook, Illinois 60062.

   (NOTE: This series of slide sets gives information on safety. Each set includes an easy to follow script and can be used on any 35mm slide projector.)

3. *Your Store and Fire Safety.* Pamphlet, National Board of Fire Underwriters, 85 John Street, New York, New York.

4. *Safety for Retailers.* Color, 15 minutes, American Learning Systems, Inc. Available from American Learning Systems, Inc., P. O. Box 2173, Columbus, Georgia 31902.

   (NOTE: This filmstrip/cassette set stresses the development of proper safety attitudes by employees. It points out that losses due to unsafe acts or omissions to act may cause injury to employees, visitors, customers, and property.)

5. Contact local insurance agent and/or fire department for films available on a free-loan basis.

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

G. Stress that students must have permission from their training sponsors before completing Assignment Sheet #1.

H. Ask local fire department to demonstrate how to use a fire extinguisher. Have students participate.

SUGGESTED ACTIVITIES

I. Invite the American Red Cross to speak with and/or train students in basic first aid, assisting a choking victim, and CPR.

J. Take a field trip to a large department store to look at their fire safety/prevention operations.

EXAMPLES: Means of egress, posted emergency exit signs, use of color coding in identifying emergency equipment

K. Suggest a community safety campaign as a DECA activity.

(NOTE: The U.S. Consumer Product Safety Commission has information on "How to Develop a Community Consumer Product Safety Program.")

L. Give test.

M. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency masters

1. TM #1--Lifting Heavy Items
2. TM #2--Fires and Fire Extinguishers
3. TM #3--Using Fire Extinguishers

E. Assignment Sheets

1. Assignment Sheet #1--Analyze Work Area Safety Conditions
2. Assignment Sheet #2--Solve a Management Case Study

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth, and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Walsh, Lawrence A. *Physical Distribution.* New York: McGraw-Hill Book Company, 1969.

STORE SAFETY
UNIT III

INFORMATION SHEET

I. Terms and definitions

   A. Debris--Scattered pieces of broken items; trash

   B. Means of egress--Paths that people use to get from any point inside a building to open air outside at ground level

      (NOTE: This term is used in regard to evacuating a building during a fire alarm.)

   C. OSHA (Occupational Safety and Health Administration)--Division of the Department of Labor established to enforce safety and health standards in businesses

   D. Sanitize--To clean and disinfect an area

II. Major concerns for a safe workplace

   A. Employees are kept free from accidents/hazards

   B. Customers are kept free from accidents/hazards

   C. Fire safety escape routes are marked and maintained

   D. Fire safety devices are maintained in working order

   E. OSHA regulations are enforced

III. Causes of on-the-job accidents

   A. Mechanical causes--Slippery floors, obstructed aisles, improper tools with which to do the job

   B. Physiological causes--Long work hours, inadequate lighting, monotonous work

   C. Psychological causes--Carelessness, inexperience, lack of knowledge about the job

IV. Ways to create a safe, clean retail store/workplace (Transparency #1; Assignment Sheet #1)

   A. Store front and entrances/exits

      1. Keep sidewalks free of debris and clutter

      2. Make entrances/exits accessible to handicapped

         EXAMPLES: Ramp, wide doors

      3. Clean and light display windows

INFORMATION SHEET

4. Repair, grease, and maintain doors as necessary
5. Paint and maintain moldings
6. Anchor, paint, and maintain awnings
7. Display accident and exit signs
8. Examine area and repair loose screws, bolts, threshold plates, and slippery floor mats

B. Merchandise areas

1. Keep merchandise inside counters, bins, and/or racks
2. Keep aisles clear and free of any debris
3. Properly anchor and brace shelves and displays
4. Maintain display signs and pricing posters
5. Check shopping carts periodically and repair when needed
6. Properly use and maintain electrical cords and equipment
7. Do not leave supplies and equipment unattended
8. Prominently display and enforce NO SMOKING signs
9. Examine areas for loose nails, screws, moldings, doors, and stairways and repair as necessary

C. Customer service areas

1. Provide adequate restroom supplies and facilities, including those needed for the handicapped
2. Clean and sanitize restrooms daily
3. Properly use and maintain electrical cords and equipment
4. Clean and maintain water fountains daily
5. Make customer service counter easily accessible to all customers, including the handicapped
6. Service chairs, tables, and wastebaskets located in rest areas and coffee shops throughout the day

   (NOTE: The Oklahoma Public Health Code requires covers on all restroom wastebaskets.)

INFORMATION SHEET

D. Storage areas and back of store

    1. Light and maintain driveways and ramps

    2. Keep area free of debris

       (CAUTION: Check to see if "empty" boxes are, indeed, empty.)

    3. Provide adequate shipping and receiving supplies and equipment; keep them readily available and properly maintained

    4. Prohibit unauthorized persons from entering the area

    5. Use proper security equipment

    6. Place packing materials and debris in metal containers with covers

    7. Do not leave supplies and equipment unattended

    8. Post NO SMOKING signs so that they may be easily seen and enforced

    9. Properly use and maintain electrical cords and equipment

    10. Train employees in proper techniques for lifting heavy items (Transparency #1)

V. Ways to protect life and property from fire (Transparencies #2 and #3)

A. Provide adequate means of egress

    1. Allow for movement within the building

       EXAMPLES: Cleared aisles, lighted exits

    2. Maintain doors and stairways within building

    3. Provide at least ten feet clearance from building to open air outside at ground level

B. Provide enough exits to permit prompt, orderly evacuation

    1. Post signs at every exit

       (NOTE: The Life Safety Code establishes regulations for making EXIT signs. Letters should be six inches high with not less than three-fourths inch stroke width.)

    2. Display special signs to indicate doors which are not exits

       EXAMPLES: "Not an exit," "Basement," "Stockroom," "Handicapped Exit"

    3. Maintain adequate light source at every exit

    4. Provide "crash bars" on emergency exit doors

INFORMATION SHEET

C. Keep means of egress free of clutter and debris

D. Periodically check and maintain doors, stairs, signs, extinguishers, and other fire safety areas and equipment (Transparencies #2 and #3)

E. Implement a comprehensive fire-safety plan

   1. Train employees in fire safety

   2. Conduct periodic fire drills

F. Request that local fire department conduct an inspection of the store facilities and exterior

VI. Employer's responsibilities under OSHA

A. Provide a safe workplace

B. Become familiar with OSHA standards

C. Inform all employees of job hazards and federal standards

D. Use color-coded signs

EXAMPLES: Red to indicate fire preventive measures and fire extinguishers; green to indicate first aid materials

E. Examine work areas; take corrective action as necessary

F. Update procedures as necessary to maintain a safe workplace

G. Contact OSHA office for assistance as necessary

VII. Steps to follow when accidents occur (Assignment Sheet #2)

A. Know whom to call when an accident occurs

EXAMPLES: Fire department, police department, emergency medical squad

B. Be sure the victim receives proper medical assistance

(**CAUTION**: All injuries, even minor cuts and bruises, must receive immediate first aid attention.)

C. Advise the victim to seek insurance benefits he or she may have

(NOTE: Worker's compensation is a form of insurance which companies must provide to employees who are injured on the job.)

INFORMATION SHEET

D. Submit a complete written report of the accident

  1. Give description of who was involved, where, and when the accident occurred

  2. Tell why and how it happened

     EXAMPLES: What machine, tool, or object was involved; indicate any unsafe act or condition present

  3. Describe steps that have been taken by management to avoid this type of accident

  4. Make recommendations to ensure the accident will not be repeated

VIII. Recordkeeping required under OSHA

A. Record occupational illnesses and injuries which require medical treatment in OSHA Log 200

(NOTE: See OSHA Log 200 on following pages.)

  1. Keep OSHA Log 200 on a daily basis

  2. Use OSHA Log 200 as an indicator of problem areas

B. Compile all entries made in OSHA Log 200 in an annual summary of occupational illnesses and injuries called OSHA Form 102

  1. Post OSHA Form 102 in an area accessible to all employees before the end of January and leave it up for at least 30 days

  2. Make OSHA Form 102 available to OSHA inspectors as requested

BMO - 129-D

INFORMATION SHEET

Bureau of Labor Statistics
Log and Summary of Occupational
Injuries and Illnesses

U.S. Department of Labor

For Calendar Year 19 ______

Page ____ of ____

NOTE: **This form is required by Public Law 91-596 and must be kept in the establishment for 5 years. Failure to maintain and post can result in the issuance of citations and assessment of penalties.** ***(See posting requirements on the other side of form.)***

RECORDABLE CASES: You are required to record information about every occupational **death**, every nonfatal occupational **illness**, and those nonfatal occupational **injuries** which involve one or more of the following: loss of consciousness, restriction of work or motion, transfer to another job, or medical treatment (other than first aid). ***(See definitions on the other side of form.)***

Company Name
Establishment Name
Establishment Address

Form Approved
O.M.B. No. 1220-0029

Case or File Number	**Date of Injury or Onset of Illness**	**Employee's Name**	**Occupation**	**Department**	**Description of Injury or Illness**
Enter a nonduplicating number which will facilitate comparisons with supplementary records.	Enter Mo./day.	Enter first name or initial, middle initial, last name.	Enter regular job title, not activity employee was performing when injured or at onset of illness. In the absence of a formal title, enter a brief description of the employee's duties.	Enter department in which the employee is regularly employed or a description of normal workplace to which employee is assigned, even though temporarily working in another department at the time of injury or illness.	Enter a brief description of the injury or illness and indicate the part or parts of body affected. Typical entries for this column might be: Amputation of 1st joint right forefinger; Strain of lower back; Contact dermatitis on both hands; Electrocution—body.
(A)	(B)	(C)	(D)	(E)	(F)
					PREVIOUS PAGE TOTALS →
					TOTALS (Instructions on other side of form.) →

Extent of and Outcome of INJURY

Fatalities	Nonfatal Injuries				
Injury Related	Injuries With Lost Workdays				Injuries Without Lost Workdays
Enter **DATE** of death. Mo./day/yr.	Enter a **CHECK** if injury involves days away from work, or days of restricted work activity, or both.	Enter a **CHECK** if injury involves days away from work.	Enter number of **DAYS** *away from work.*	Enter number of **DAYS** of *restricted work activity.*	Enter a **CHECK** if no entry was made in columns 1 or 2 but the injury is recordable as defined above.
(1)	(2)	(3)	(4)	(5)	(6)

INJURIES

Type, Extent of, and Outcome of ILLNESS

Type of Illness						
CHECK Only One Column for Each Illness *(See other side of form for terminations or permanent transfers.)*						
Occupational skin diseases or disorders	Dust diseases of the lungs	Respiratory conditions due to toxic agents	Poisoning (systemic effects of toxic materials)	Disorders due to physical agents	Disorders associated with repeated trauma	All other occupational illnesses
(7)						
(a)	(b)	(c)	(d)	(e)	(f)	(g)

Fatalities	Nonfatal Illnesses				
Illness Related	Illnesses With Lost Workdays				Illnesses Without Lost Workdays
Enter **DATE** of death. Mo./day/yr.	Enter a **CHECK** if illness involves days away from work, or days of restricted work activity, or both.	Enter a **CHECK** if illness involves days away from work.	Enter number of **DAYS** *away from work.*	Enter number of **DAYS** of *restricted work activity.*	Enter a **CHECK** if no entry was made in columns 8 or 9.
(8)	(9)	(10)	(11)	(12)	(13)

ILLNESSES

OSHA No. 200

FOLD

Certification of Annual Summary Totals By ______________________ Title ______________________ Date ______

OSHA No. 200

POST ONLY THIS PORTION OF THE LAST PAGE NO LATER THAN FEBRUARY 1.

INFORMATION SHEET

Instructions for OSHA No. 200

I. Log and Summary of Occupational Injuries and Illnesses

Each employer who is subject to the recordkeeping requirements of the Occupational Safety and Health Act of 1970 must maintain for each establishment a log of all recordable occupational injuries and illnesses. This form (OSHA No. 200) may be used for that purpose. A substitute for the OSHA No. 200 is acceptable if it is as detailed, easily readable, and understandable as the OSHA No. 200.

Enter each recordable case on the log within six (6) workdays after learning of its occurrence. Although other records must be maintained at the establishment to which they refer, it is possible to prepare and maintain the log at another location, using data processing equipment if desired. If the log is prepared elsewhere, a copy updated to within 45 calendar days must be present at all times in the establishment.

Logs must be maintained and retained for five (5) years following the end of the calendar year to which they relate. Logs must be available (normally at the establishment) for inspection and copying by representatives of the Department of Labor, or the Department of Health and Human Services, or States accorded jurisdiction under the Act. Access to the log is also provided to employees, former employees and their representatives.

II. Changes in Extent of or Outcome of Injury or Illness

If, during the 5-year period the log must be retained, there is a change in an extent and outcome of an injury or illness which affects entries in columns 1, 2, 6, 8, 9, or 13, the first entry should be lined out and a new entry made. For example, if an injured employee at first required only medical treatment but later lost workdays away from work, the check in column 6 should be lined out, and checks entered in columns 2 and 3 and the number of lost workdays entered in column 4.

In another example, if an employee with an occupational illness lost workdays, returned to work, and then died of the illness, any entries in columns 9 through 12 should be lined out and the date of death entered in column 8.

The entire entry for an injury or illness should be lined out if later found to be nonrecordable. For example: an injury which is later determined not to be work related, or which was initially thought to involve medical treatment but later was determined to have involved only first aid.

III. Posting Requirements

A copy of the totals and information following the fold line of the last page for the year must be posted at each establishment in the place or places where notices to employees are customarily posted. This copy must be posted no later than *February 1 and must remain in place until March 1.*

Even though there were no injuries or illnesses during the year, zeros must be entered on the totals line, and the form posted.

The person responsible for the ***annual summary totals*** shall certify that the totals are true and complete by signing at the bottom of the form.

IV. Instructions for Completing Log and Summary of Occupational Injuries and Illnesses

Column A – **CASE OR FILE NUMBER.** Self-explanatory.

Column B – **DATE OF INJURY OR ONSET OF ILLNESS.**
For occupational injuries, enter the date of the work accident which resulted in injury. For occupational illnesses, enter the date of initial diagnosis of illness, or, if absence from work occurred before diagnosis, enter the first day of the absence attributable to the illness which was later diagnosed or recognized.

Columns C through F – Self-explanatory.

Columns 1 and 8 – **INJURY OR ILLNESS-RELATED DEATHS.**
Self-explanatory.

Columns 2 and 9 – **INJURIES OR ILLNESSES WITH LOST WORKDAYS.**
Self-explanatory.

Any injury which involves days away from work, or days of restricted work activity, or both must be recorded since it always involves one or more of the criteria for recordability.

Columns 3 and 10 – **INJURIES OR ILLNESSES INVOLVING DAYS AWAY FROM WORK.** Self-explanatory.

Columns 4 and 11 – **LOST WORKDAYS—-DAYS AWAY FROM WORK.**
Enter the number of workdays (consecutive or not) on which the employee would have worked but could not because of occupational injury or illness. The number of lost workdays should not include the day of injury or onset of illness or any days on which the employee would not have worked even though able to work.
NOTE: For employees not having a regularly scheduled shift, such as certain truck drivers, construction workers, farm labor, casual labor, part-time employees, etc., it may be necessary to estimate the number of lost workdays. Estimates of lost workdays shall be based on prior work history of the employee AND days worked by employees, not ill or injured, working in the department and/or occupation of the ill or injured employee.

Columns 5 and 12 – **LOST WORKDAYS—-DAYS OF RESTRICTED WORK ACTIVITY.**
Enter the number of workdays (consecutive or not) on which because of injury or illness:

(1) the employee was assigned to another job on a temporary basis, or
(2) the employee worked at a permanent job less than full time, or
(3) the employee worked at a permanently assigned job but could not perform all duties normally connected with it.

The number of lost workdays should not include the day of injury or onset of illness or any days on which the employee would not have worked even though able to work.

Columns 6 and 13 – **INJURIES OR ILLNESSES WITHOUT LOST WORKDAYS.** Self-explanatory.

Columns 7a through 7g – **TYPE OF ILLNESS.**
Enter a check in only *one* column for each illness.

TERMINATION OR PERMANENT TRANSFER—Place an asterisk to the right of the entry in columns 7a through 7g (type of illness) which represented a termination of employment or permanent transfer.

V. Totals

Add number of entries in columns 1 and 8.
Add number of checks in columns 2, 3, 6, 7, 9, 10, and 13.
Add number of days in columns 4, 5, 11, and 12.
Yearly totals for each column (1-13) are required for posting. Running or page totals may be generated at the discretion of the employer.

If an employee's loss of workdays is continuing at the time the totals are summarized, estimate the number of future workdays the employee will lose and add that estimate to the workdays already lost and include this figure in the annual totals. No further entries are to be made with respect to such cases in the next year's log.

VI. Definitions

OCCUPATIONAL INJURY is any injury such as a cut, fracture, sprain, amputation, etc., which results from a work accident or from an exposure involving a single incident in the work environment.
NOTE: Conditions resulting from animal bites, such as insect or snake bites or from one-time exposure to chemicals, are considered to be injuries.

OCCUPATIONAL ILLNESS of an employee is any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to environmental factors associated with employment. It includes acute and chronic illnesses or diseases which may be caused by inhalation, absorption, ingestion, or direct contact.

The following listing gives the categories of occupational illnesses and disorders that will be utilized for the purpose of classifying recordable illnesses. For purposes of information, examples of each category are given. These are typical examples, however, and are not to be considered the complete listing of the types of illnesses and disorders that are to be counted under each category.

7a. **Occupational Skin Diseases or Disorders**
Examples: Contact dermatitis, eczema, or rash caused by primary irritants and sensitizers or poisonous plants; oil acne; chrome ulcers; chemical burns or inflammations; etc.

7b. **Dust Diseases of the Lungs (Pneumoconioses)**
Examples: Silicosis, asbestosis and other asbestos-related diseases, coal worker's pneumoconiosis, byssinosis, siderosis, and other pneumoconioses.

7c. **Respiratory Conditions Due to Toxic Agents**
Examples: Pneumonitis, pharyngitis, rhinitis or acute congestion due to chemicals, dusts, gases, or fumes; farmer's lung; etc.

7d. **Poisoning (Systemic Effect of Toxic Materials)**
Examples: Poisoning by lead, mercury, cadmium, arsenic, or other metals; poisoning by carbon monoxide, hydrogen sulfide, or other gases; poisoning by benzol, carbon tetrachloride, or other organic solvents; poisoning by insecticide sprays such as parathion, lead arsenate; poisoning by other chemicals such as formaldehyde, plastics, and resins; etc.

7e. **Disorders Due to Physical Agents (Other than Toxic Materials)**
Examples: Heatstroke, sunstroke, heat exhaustion, and other effects of environmental heat; freezing, frostbite, and effects of exposure to low temperatures; caisson disease; effects of ionizing radiation (isotopes, X-rays, radium); effects of nonionizing radiation (welding flash, ultraviolet rays, microwaves, sunburn); etc.

7f. **Disorders Associated With Repeated Trauma**
Examples: Noise-induced hearing loss; synovitis, tenosynovitis, and bursitis; Raynaud's phenomena; and other conditions due to repeated motion, vibration, or pressure.

7g. **All Other Occupational Illnesses**
Examples: Anthrax, brucellosis, infectious hepatitis, malignant and benign tumors, food poisoning, histoplasmosis, coccidioidomycosis, etc.

MEDICAL TREATMENT includes treatment (other than first aid) administered by a physician or by registered professional personnel under the standing orders of a physician. Medical treatment does NOT include first-aid treatment (one-time treatment and subsequent observation of minor scratches, cuts, burns, splinters, and so forth, which do not ordinarily require medical care) even though provided by a physician or registered professional personnel.

ESTABLISHMENT: A single physical location where business is conducted or where services or industrial operations are performed (for example: a factory, mill, store, hotel, restaurant, movie theater, farm, ranch, bank, sales office, warehouse, or central administrative office). Where distinctly separate activities are performed at a single physical location, such as construction activities operated from the same physical location as a lumber yard, each activity shall be treated as a separate establishment.

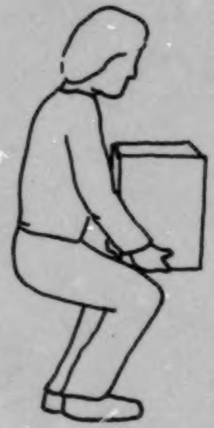
For firms engaged in activities which may be physically dispersed, such as agriculture; construction; transportation; communications; and electric, gas, and sanitary services, records may be maintained at a place to which employees report each day.

Records for personnel who do not primarily report or work at a single establishment, such as traveling salesmen, technicians, engineers, etc., shall be maintained at the location from which they are paid or the base from which personnel operate to carry out their activities.

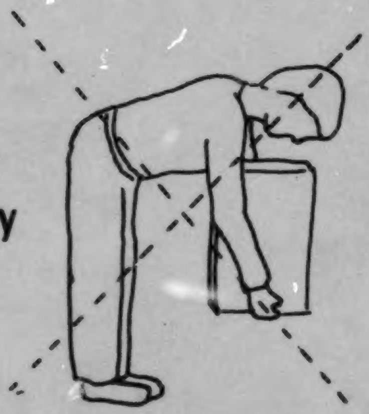
WORK ENVIRONMENT is comprised of the physical location, equipment, materials processed or used, and the kinds of operations performed in the course of an employee's work, whether on or off the employer's premises.

Lifting Heavy Items

Use your legs to lift heavy items.



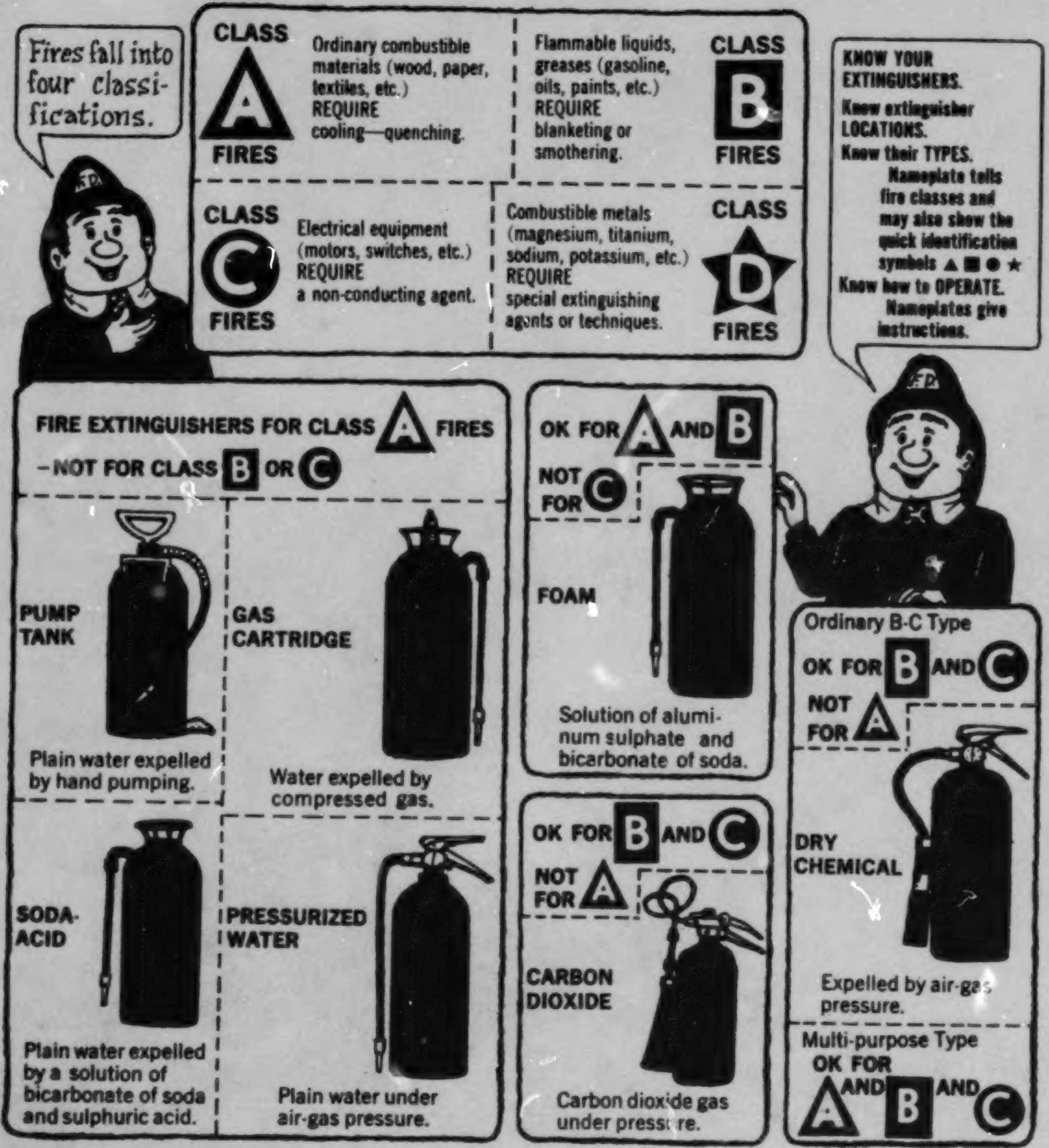
Do not use your back to lift heavy items.



1. Look over the load If it is too heavy to handle alone, get some help.
2. Establish firm footing with feet close together.
3. Bend knees, keeping the back straight at all times.
4. Take a firm grip.
5. Push up with the legs, keeping the item close to the body.
6. Reverse the steps to set the item down.

(Bend at knees, keeping back straight. Put front edge of the item down first. Slowly move hands out of the way while lowering the back of the item down.)

Fires and Fire Extinguishers


Fires fall into four classifications.
F.D.
KNOW YOUR EXTINGUISHERS. Know extinguisher LOCATIONS. Know their TYPES. Nameplate tells fire classes and may also show the quick identification symbols ▲ ■ ● ★ Know how to OPERATE. Nameplates give instructions.
F.D.

CLASS A FIRES Ordinary combustible materials (wood, paper, textiles, etc.) REQUIRE cooling—quenching.

CLASS B FIRES Flammable liquids, greases (gasoline, oils, paints, etc.) REQUIRE blanketing or smothering.

CLASS C FIRES Electrical equipment (motors, switches, etc.) REQUIRE a non-conducting agent.

CLASS D FIRES Combustible metals (magnesium, titanium, sodium, potassium, etc.) REQUIRE special extinguishing agents or techniques.

FIRE EXTINGUISHERS FOR CLASS A FIRES – NOT FOR CLASS B OR C

PUMP TANK Plain water expelled by hand pumping.

GAS CARTRIDGE Water expelled by compressed gas.

SODA-ACID Plain water expelled by a solution of bicarbonate of soda and sulphuric acid.

PRESSURIZED WATER Plain water under air-gas pressure.

OK FOR A AND B NOT FOR C

FOAM Solution of aluminum sulphate and bicarbonate of soda.

OK FOR B AND C NOT FOR A

CARBON DIOXIDE Carbon dioxide gas under pressure.

Ordinary B-C Type

OK FOR B AND C NOT FOR A

DRY CHEMICAL Expelled by air-gas pressure.

Multi-purpose Type

OK FOR A AND B AND C

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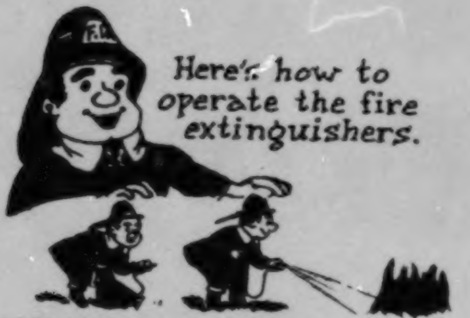
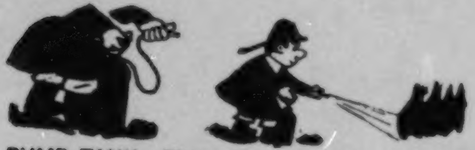
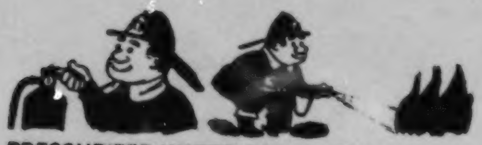
Using Fire Extinguishers


F.D.
Here's how to operate the fire extinguishers.

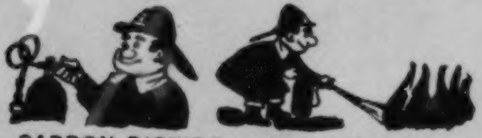
SODA-ACID—Direct stream at base of flames.



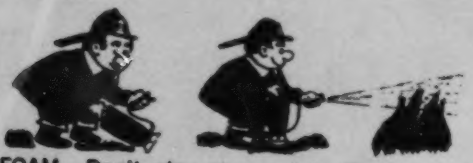
PUMP TANK—Place foot on footrest, direct stream at base of flames.



PRESSURIZED WATER-GAS CARTRIDGE TYPE —Direct stream at base of flames.



CARBON DIOXIDE and DRY CHEMICAL—Direct discharge as close to fire as possible. First at edge of flames and gradually forward and upward.



FOAM—Don't play stream into the burning liquid. Allow foam to fall lightly on fire.

EG-52—Rev. 1-72

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STORE SAFETY
UNIT III

ASSIGNMENT SHEET #1--ANALYZE WORK AREA SAFETY CONDITIONS

NAME ______________________ SCORE ____________

Managers are responsible for seeing that all areas of the store present safe working conditions for employees, as well as safe shopping conditions for customers. In order to provide safe working conditions, it is necessary for management to conduct periodic safety checks of the store and its operating policies.

In this assignment sheet, you will conduct a safety check of your training station and then analyze its work area safety conditions.

(NOTE: Be sure that you have your training sponsor's permission to conduct this activity. Check with your teacher for assistance as necessary.)

PART I--Rate work area safety conditions

A. Obtain permission from your training sponsor

B. Complete the top portion of the safety checklist

(NOTE: Have your training sponsor or other manager sign the permission line on the safety checklist.)

C. Follow directions for completing the safety checklist form--Circle the appropriate rating for each item listed on the checklist. Use "SA" if you strongly agree, "A" if you agree, "NE" if the item is not evaluated, "D" if you disagree, and "SD" if you strongly disagree that the condition exists in your training station.

ASSIGNMENT SHEET #1

SAFETY CHECKLIST

Name of store ____________________

Location of store ____________________

Date of safety check ____________________

Permission given by ____________________
(Manager's signature)

Item	Rating				
STORE FRONT					
Sidewalks are free of debris and clutter	SA	A	NE	D	SD
Entrances/exits are accessible to handicapped	SA	A	NE	D	SD
Display windows are clean and lighted	SA	A	NE	D	SD
Doors are greased, repaired, and maintained as necessary	SA	A	NE	D	SD
Moldings are painted and maintained	SA	A	NE	D	SD
Awnings are anchored, painted, and maintained	SA	A	NE	D	SD
Accident and exit signs are displayed	SA	A	NE	D	SD
Screws, bolts, threshold plates, and floor mats are properly secured	SA	A	NE	D	SD
MERCHANDISE AREAS					
Merchandise is inside counters, bins, and/or racks	SA	A	NE	D	SD
Aisles are clear and free of any debris	SA	A	NE	D	SD
Shelves and displays are properly anchored and braced	SA	A	NE	D	SD
Display signs and pricing posters are properly maintained	SA	A	NE	D	SD

ASSIGNMENT SHEET #1

Item	Rating				
Shopping carts are periodically checked and repaired when needed	SA	A	NE	D	SD
Electrical cords and equipment are properly used and maintained	SA	A	NE	D	SD
Supplies and equipment are not left unattended	SA	A	NE	D	SD
NO SMOKING signs are prominently displayed and enforced	SA	A	NE	D	SD
Nails, screws, moldings, doors, and stairways are properly secured	SA	A	NE	D	SD
CUSTOMER SERVICE AREAS					
Adequate restroom supplies and facilities, including those [illegible]ied for the handicapped, are provided	SA	A	NE	D	SD
Restrooms are cleaned and sanitized daily	SA	A	NE	D	SD
Water fountains are cleaned and maintained daily	SA	A	NE	D	SD
Electrical cords and equipment are properly used and maintained	SA	A	NE	D	SD
Customer service counters are easily accessible to all customers, including the handicapped	SA	A	NE	D	SD
Chairs, tables, and wastebaskets located in rest areas and coffee shops throughout the store are serviced daily	SA	A	NE	D	SD
STORAGE AREAS					
Driveways and ramps are lighted and maintained	SA	A	NE	D	SD
Area is free of debris	SA	A	NE	D	SD
Adequate shipping and receiving supplies and equipment are provided and readily available	SA	A	NE	D	SD

ASSIGNMENT SHEET #1

Item	Rating				
Unauthorized persons are prohibited from the area	SA	A	NE	D	SD
Proper security equipment is used	SA	A	NE	D	SD
Packing materials and debris are placed in metal containers with covers attached	SA	A	NE	D	SD
Supplies and equipment are not left unattended	SA	A	NE	D	SD
NO SMOKING signs are posted so that they may be easily seen and enforced	SA	A	NE	D	SD
Electrical cords and equipment are properly used and maintained	SA	A	NE	D	SD
Employees are trained in proper techniques for lifting heavy items	SA	A	NE	D	SD

PART II--Analyze work area safety conditions

A. Overall, how well do you rate your training station's safety operations?

Very good______ Satisfactory______ Poor______

B. What recommendations can you make for improving safety operations in your training station?

____

____

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STORE SAFETY
UNIT III

ASSIGNMENT SHEET #2--SOLVE A MANAGEMENT CASE STUDY

NAME ______________________ SCORE ____________

Every manager must be concerned about the safety of each employee. There are times when subordinates use shortcuts to accomplish their jobs--shortcuts that may lead to accidents and/or hazardous conditions for themselves and their co-workers. Decisions must be made that will ensure safe working conditions for all.

In this assignment, you are given a case study that deals with the question of safety on the job. Read the case study and tell how you would react if you were placed in a similar situation.

PART I--Read the case study

Terri Johnson has been working for the Acme Department Store for two years in various positions. She has recently been promoted to department manager over hardline merchandise. Hardlines is a busy area in the Acme Department Store, and there is a large inventory warehoused within the store. Terri really wants to be a good manager and has made efforts to improve the cleanliness and safety operations within the department.

Terri has talked to her subordinates about safety precautions; however, she still has employees climbing the storage shelves to get small items instead of using the ladder, and there are times when they appear to be playing on the forklift in the home improvement storage area. She has noticed that empty cartons are frequently left in the stockroom instead of being thrown away. Terri is concerned about safety for all employees and knows she has to take action to correct the current situation.

PART II--How would you react if you were Terri?

A. Identify the true problem.

ASSIGNMENT SHEET #2

B. Gather information.

C. List possible solutions.

D. Evaluate probable results of each solution.

E. Decide on the best solution.

STORE SAFETY
UNIT III

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

STORE SAFETY
UNIT III

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with store safety to their correct definitions. Write the correct numbers in the blanks.

_____a. To clean and disinfect an area

_____b. Paths that people use to get from any point inside a building to open air outside at ground level

_____c. Scattered pieces of broken items; trash

_____d. Division of the Department of Labor established to enforce safety and health standards in businesses

1. Debris
2. Means of egress
3. OSHA (Occupational Safety and Health Administration)
4. Sanitize

2. Discuss major concerns for a safe workplace.

____

____

____

____

____

3. Match causes of on-the-job accidents with their correct examples. Write the correct numbers in the blanks.

_____a. Long work hours, inadequate lighting, monotonous work

_____b. Slippery floors, obstructed aisles, improper tools with which to do the job

_____c. Carelessness, inexperience, lack of knowledge about the job

1. Mechanical causes
2. Physiological causes
3. Psychological causes

TEST

4. There are many things that management can do to make a store a safer place in which to work. Discuss ways to create a safe, clean retail store/workplace.

   a. Store front and entrances/exits--

   b. Merchandise areas--

TEST

c. Customer service areas--

d. Storage areas and back of store--

TEST

5. Discuss ways to protect life and property from fire.

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6. Select from the following list employer's responsibilities under OSHA. Write an "X" in the blank before each correct answer.

_____a. Use color-coded signs

_____b. Provide trash cans/receptacles for every 100 square feet of work space

_____c. Become familiar with OSHA standards

_____d. Discipline employees who violate OSHA regulations

_____e. Examine work areas; take corrective action as necessary

_____f. Provide a safe workplace

_____g. Write an employee handbook and include job safety

TEST

______h. Inform all employees of job hazards and federal standards

______i. Update procedures as necessary to maintain a safe workplace

______j. Hang fire safety signs in clear view of employees and customers

______k. Contact OSHA office for assistance as necessary

7. Discuss steps to follow when accidents occur.

____

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8. OSHA Log 200 and OSHA Form 102 are the primary documents which OSHA requires businesses to keep throughout the year. Complete the following statements relating to recordkeeping required under OSHA. Write your answers on the lines provided.

   a. Compile all entries made in OSHA ____________________ in an annual summary of occupational illnesses and injuries called OSHA ______________.

   b. Keep OSHA ____________________ on a daily basis.

   c. Make OSHA ____________________ available to OSHA inspectors as requested.

   d. Post OSHA ____________________ in an area accessible to all employees before the end of January and leave it up for at least 30 days.

   e. Use OSHA ____________________ as an indicator of problem areas.

   f. Record occupational illnesses and injuries which require medical treatment in OSHA ____________________.

(NOTE: Test questions 9 and 10 list the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

9. Analyze work area safety conditions.

10. Solve a management case study.

STORE SAFETY
UNIT III

ANSWERS TO TEST

1. a. 4
   b. 2
   c. 1
   d. 3
2. Discussion should include
   a. Employees are kept free from accidents/hazards
   b. Customers are kept free from accidents/hazards
   c. Fire safety escape routes are marked and maintained
   d. Fire safety devices are maintained in working order
   e. OSHA regulations are enforced
3. a. 2
   b. 1
   c. 3
4. Discussion should include
   a. Store front and entrances/exits
      1) Keep sidewalks free of debris and clutter
      2) Make entrances/exits accessible to handicapped
      3) Clean and light display windows
      4) Repair, grease, and maintain doors as necessary
      5) Paint and maintain moldings
      6) Anchor, paint, and maintain awnings
      7) Display accident and exit signs
      8) Examine area and repair loose screws, bolts, threshold plates, and slippery floor mats

ANSWERS TO TEST

b. Merchandise areas

1) Keep merchandise inside counters, bins, and/or racks
2) Keep aisles clear and free of any debris
3) Properly anchor and brace shelves and displays
4) Maintain display signs and pricing posters
5) Check shopping carts periodically and repair when needed
6) Properly use and maintain electrical cords and equipment
7) Do not leave supplies and equipment unattended
8) Prominently display and enforce NO SMOKING signs
9) Examine areas for loose nails, screws, moldings, doors, and stairways and repair as necessary

c. Customer service areas

1) Provide adequate restroom supplies and facilities, including those needed for the handicapped
2) Clean and sanitize restrooms daily
3) Properly use and maintain electrical cords and equipment
4) Clean and maintain water fountains daily
5) Make customer service counter easily accessible to all customers, including the handicapped
6) Service chairs, tables, and wastebaskets located in rest areas and coffee shops throughout the day

d. Storage areas and back of store

1) Light and maintain driveways and ramps
2) Keep area free of debris
3) Provide adequate shipping and receiving supplies and equipment; keep them readily available and properly maintained
4) Prohibit unauthorized persons from entering the area
5) Use proper security equipment
6) Place packing materials and debris in metal containers with covers
7) Do not leave supplies and equipment unattended

ANSWERS TO TEST

8) Post NO SMOKING signs so that they may be easily seen and enforced

9) Properly use and maintain electrical cords and equipment

10) Train employees in proper techniques for lifting heavy items

5. Discussion should include
    a. Provide adequate means of egress
        1) Allow for movement within the building
        2) Maintain doors and stairways within building
        3) Provide at least ten feet clearance from building to open air outside at ground level
    b. Provide enough exits to permit prompt, orderly evacuation
        1) Post signs at every exit
        2) Display special signs to indicate doors which are not exits
        3) Maintain adequate light source at every exit
        4) Provide "crash bars" on emergency exit doors
    c. Keep means of egress free of clutter and debris
    d. Periodically check and maintain doors, stairs, signs, extinguishers, and other fire safety areas and equipment
    e. Implement a comprehensive fire-safety plan
        1) Train employees in fire safety
        2) Conduct periodic fire drills
    f. Request that local fire department conduct an inspection of the store facilities and exterior
6. a, c, e, f, h, i, k
7. Discussion should include
    a. Know whom to call when an accident occurs
    b. Be sure the victim receives proper medical assistance
    c. Advise the victim to seek insurance benefits he or she may have

ANSWERS TO TEST

d. Submit a complete written report of the accident

    1) Give description of who was involved, where, and when the accident occurred

    2) Tell why and how it happened

    3) Describe steps that have been taken by management to avoid this type of accident

    4) Make recommendations to ensure the accident will not be repeated

8. a. Log 200, Form 102

    b. Log 200

    c. Form 102

    d. Form 102

    e. Log 200

    f. Log 200

9. Evaluated to the satisfaction of the instructor

10. Evaluated to the satisfaction of the instructor

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

UNIT OBJECTIVE

After completing this unit, the student should be able to use information about his or her local trading area to select merchandise which will meet the needs and desires of the store's customers. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with trading area and merchandise selection to their correct definitions.
2. Select from a list elements of a trading area.
3. Discuss characteristics of various trading areas.
4. Select from a list true statements about trading area influences on merchandising activities.
5. Distinguish among characteristics of various types of business locations.
6. Discuss characteristics of a good merchandise mix.
7. List in order the five stages of the product cycle.
8. Select from a list guides used in determining merchandise selection.
9. Discuss ways to identify suppliers.
10. Discuss considerations for qualifying suppliers.
11. Discuss methods of buying merchandise for resale.
12. Select from a list true statements about ordering merchandise.
13. List related items for major lines of merchandise.
14. Solve a management case study.
15. Describe appropriate buying methods for selected retail stores.
16. Complete a requisition for purchase and a purchase order.

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

SUGGESTED ACTIVITIES

I. Suggested activities

   A. Order films, games, and other materials to supplement unit.

   B. Make transparencies.

   C. Provide students with objective sheet.

   D. Provide students with information and assignment sheets.

   E. Discuss unit and specific objectives.

   F. Discuss information and assignment sheets.

   G. Secure Thomas' *Register of American Manufacturers* from the local library and discuss it as a reference for identifying suppliers.

   H. Invite a city planner to talk with your class about the growth of your community's trading area.

   I. Discuss the demographics of your community.

   J. Have students plot locations of major shopping areas on a map of a large city near your school. Discuss how the mobility of the population has affected development and/or decline in local businesses.

   K. Play Concentration game to review terms and definitions.

   L. Give test.

   M. Reteach and retest if necessary.

II. Instructional materials

   A. Objective sheet

   B. Suggested activities

   C. Information sheet

   D. Transparency masters

      1. TM #1--Stages of the Product Cycle

      2. TM #2--Resource File Card

      3. TM #3--Requisition for Purchase

      4. TM #4--Purchase Order Form

SUGGESTED ACTIVITIES

E. Assignment sheets

   1. Assignment Sheet #1--List Related Items for Major Lines of Merchandise

   2. Assignment Sheet #2--Solve a Management Case Study

   3. Assignment Sheet #3--Describe Appropriate Buying Methods for Selected Retail Stores

   4. Assignment Sheet #4--Complete a Requisition for Purchase and a Purchase Order

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt, *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. U.S. Small Business Administration. *Presentor's Guide Series: Location and Layout for Small Business.* Washington, D.C.: U.S. Government Printing Office, 1979.

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

INFORMATION SHEET

I. Terms and definitions

   A. Buyer--Person designated to purchase merchandise for resale

   B. Buying--Process of purchasing goods for resale

   C. Clientele--Group of people who regularly shop at and show loyalty to a store

   D. Comparison shopping--Process of studying what the competition is doing by sending someone out to report on merchandise lines, prices, and services offered by those stores

   E. Major markets--Cities in which most buying functions are centered

   F. Market--Potential customers for a good or service; final consumers toward whom all marketing activities are directed

   G. Marketing--All activities involved in getting goods and services from the producer to the consumer

   H. Merchandising--Process of getting the right merchandise to the right place at the right price and at the right time

   I. Product cycle--Stages through which a product moves throughout its existence on the market

   J. Purchase order--Form upon which requested items are recorded and mailed to a vendor for processing; form upon which a business orders its merchandise

   K. Rack jobber--Person who supplies retailers with merchandise racks and maintains an appropriate merchandise mix

      (NOTE: Rack jobbers select, mark, and arrange merchandise which is displayed on their fixtures.)

   L. Requisition for purchase--Form upon which a department manager requests merchandise and/or supplies

   M. Staple goods--Products which customers purchase continuously throughout the year

   N. Store image--Way that a retail store is perceived by the community

   O. Trade journal--Magazine which deals with information about a certain industry

INFORMATION SHEET

P. Trading area--Geographic area from which a store can expect to draw its customers

Q. Transient--Person who stays in an area only a brief period of time, then moves on

R. Vendor--Supplier of manufactured goods

S. Want slip--Record of requests made by customers for merchandise not currently carried, or out-of-stock merchandise within a store

T. Demographics--Statistics relating to a population with regard to age, income, capacity for expansion, and density

U. Merchandise mix--Variety of goods stocked by a business in such a manner that customers have a selection and store's profits are maximized

II. Elements of a trading area

A. Local business community

B. Characteristics of the market population

C. Customer/traffic flow

III. Characteristics of various trading areas

A. Small town

(NOTE: There has been a recent migration back to rural areas to avoid the congestion of the city/suburb traffic.)

1. Businesses cluster around main street

2. Friendliness and spirit of cooperation among competitors is common

3. Fewer customers per day than in city/suburb stores

4. Personalized customer service is prevalent

B. City

(NOTE: For this information, a city is considered to have a population of 25,000 or more.)

1. Central business district

a. Population shifts to suburban areas have caused deterioration of many downtown areas

b. Has higher crime rates than outlying centers

INFORMATION SHEET

        c. Insufficient parking is a major problem in most downtown areas

        d. Urban renewal projects are revitalizing many downtown areas

    2. Neighborhood district

        a. Predominately residential area

        b. Most centers offer personal services and convenience stores

        EXAMPLES: Drugstore, barbershop, grocery store, laundry and dry cleaners, repair shops

C. Suburb

    1. Tremendous growth over past 25 years

    2. Relies heavily on automobiles for transportation

    3. Parks, playgrounds, neighborhood schools, and shopping centers characterize area

IV. Trading area influences on merchandising activities

A. Income, occupation, and education

    1. Merchandise must "fit" the income level of the market population

    2. Customer needs and desires may be indicated by looking at the area labor market

    EXAMPLES: High concentration of blue collar workers, white collar workers, farmers

    3. Level of education may have a direct influence on types of goods and services desired by the market

    EXAMPLE: Area with high concentration of college-educated people should have a greater demand for art, books, travel, and cultural activities

B. Effects of population mobility

    1. Permanent residents usually become clientele for area stores

    (NOTE: Price alone will not attract these people. Customer service, convenience, and quality are important factors to remember when dealing with customers.)

    2. Transients are more attracted by special promotions and low prices than by loyalty to any one store

INFORMATION SHEET

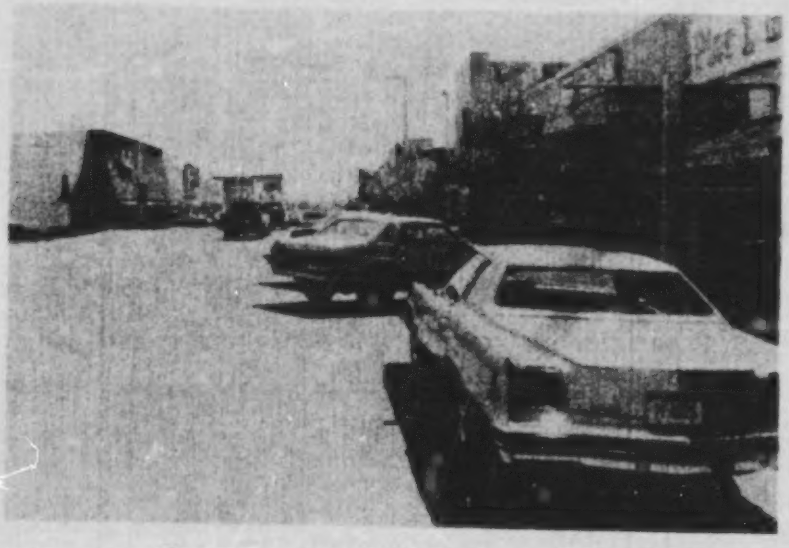
V. Types of business locations

(NOTE: It is important for managers to use information about their store's location in order to provide appropriate services, security, and merchandise mix.)

A. Central shopping district/string street (Figure 1)

EXAMPLE:

FIGURE 1



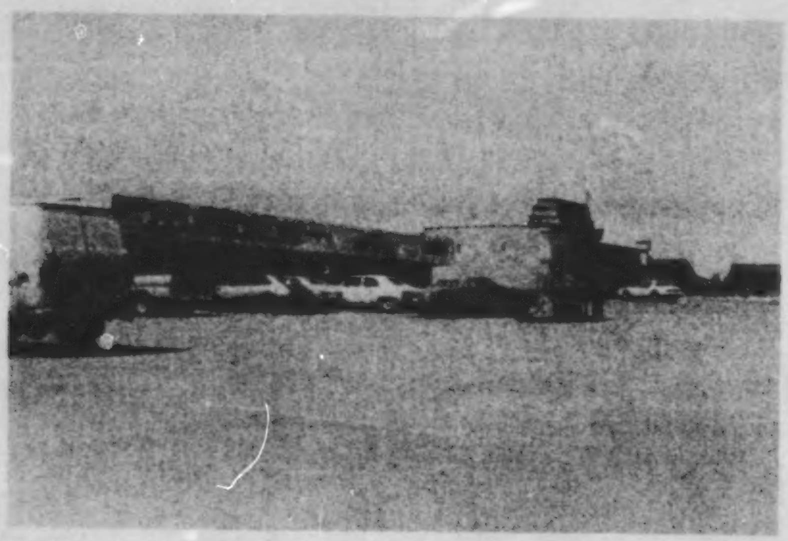
1. Usually centers around "main" street
2. Heavy pedestrian traffic
3. Wide variety of stores and merchandise sold
4. Widespread advertising campaigns attract many customers to all stores in the area
5. Competition is keen
6. Operating costs are usually high
7. Insufficient parking areas cause traffic congestion
8. High incidence of commercial crime
9. Clientele lives in the community and surrounding areas

INFORMATION SHEET

B. Neighborhood shopping area (Figure 2)

EXAMPLE:

FIGURE 2



1. Pockets of stores within residential areas
2. Stores are usually limited in size and layout
3. Deal heavily in convenience and shopping goods
4. Businesses can easily personalize store to residents

   EXAMPLE: "Cowboy Mall" in Stillwater, Oklahoma, reflects the Oklahoma State University community residents' activities

5. Medium operating costs
6. Clientele lives in nearby residential areas

INFORMATION SHEET

C. Shopping center (Figure 3)

EXAMPLE:

FIGURE 3

(NOTE: Shopping centers are also referred to as "shopping plazas.")

1. Planned for mixture of tenants
2. Ample parking is provided
3. Participation in special promotions is usually required
4. Operating costs vary with actual location of center

   (NOTE: Rent is usually paid as a percent, approximately five to 10 percent of gross sales, plus basic square footage charge and maintenance fee.)

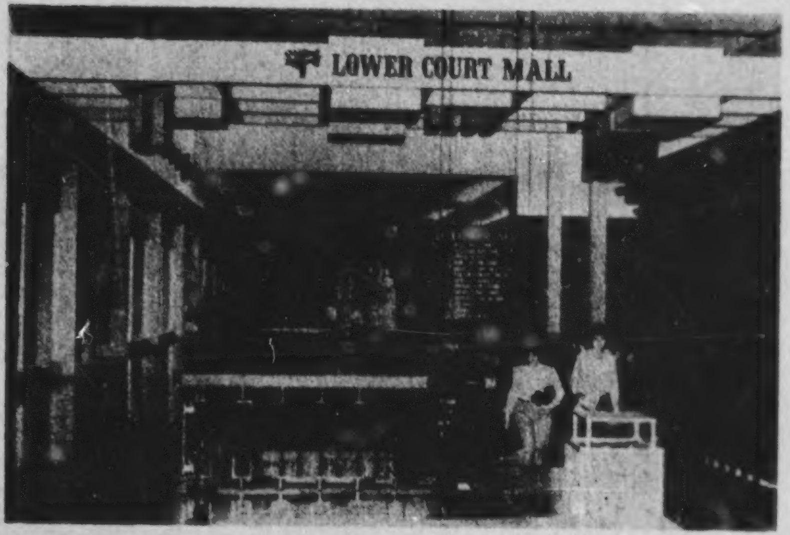
5. Customers live in nearby areas

INFORMATION SHEET

D. Regional or enclosed mall (Figure 4)

EXAMPLE:

FIGURE 4



1. Has same characteristics as shopping center
2. Climate-controlled for customer convenience
3. Special exhibits and promotions are common center-wide activities

   EXAMPLES: Antique shows, energy-saving exhibits, holiday festivities

INFORMATION SHEET

VI. Characteristics of a good merchandise mix (Transparency #1; Assignment Sheet #1)

A. Merchandise selection should be based upon the market's needs, desires, and purchasing power

B. Merchandise should reflect the store's image

C. Size and style ranges within merchandise lines should be large enough to meet customer needs and desires

D. Related items should be carried by the store

E. Sufficient quantities of merchandise must be purchased and stocked at appropriate times

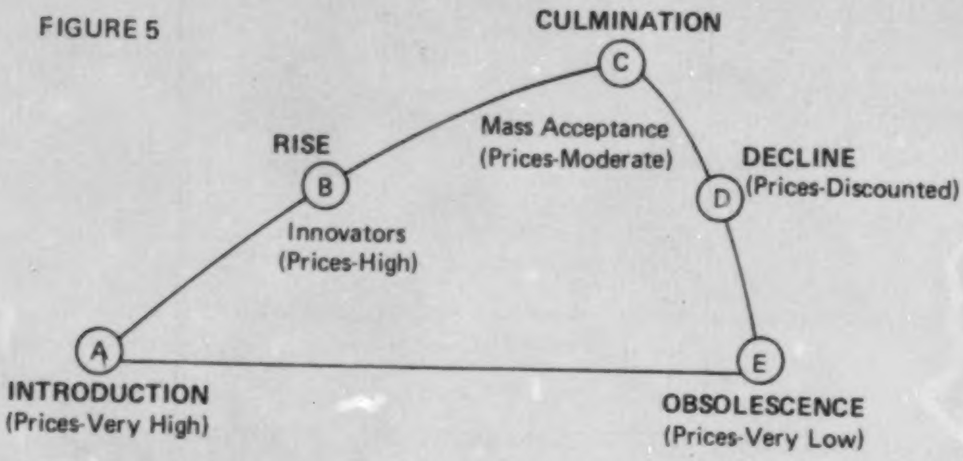
(NOTE: Christmas items are frequently ordered in July for shipment in October and/or November.)

F. Merchandise should be chosen at appropriate stages within the product cycle (Transparency #1)

VII. Five stages of the product cycle (Figure 5; Transparency #1)

EXAMPLE:

FIGURE 5


CULMINATION
C
Mass Acceptance
(Prices-Moderate)
RISE
B
Innovators
(Prices-High)
DECLINE
(Prices-Discounted)
D
A
INTRODUCTION
(Prices-Very High)
E
OBSOLESCENCE
(Prices-Very Low)

A. Introduction

B. Rise/innovation

C. Culmination/mass acceptance

D. Decline

E. Obsolescence

INFORMATION SHEET

VIII. Guides used in determining merchandise selection

A. Records of past sales and purchases are used to estimate future sales and purchases

B. Comparison shopping gives indication of what the competition is doing

C. Vendors/sales representatives provide product information and buying trends

D. Trade journals present information and advertisements relating to the industry

E. Customer want slips reflect desires of the market

F. Merchandise mix creates store flexibility in an effort to meet customer demand

IX. Ways to identify suppliers (Transparency #2; Assignment Sheet #2)

(NOTE: It is wise to maintain a resource card file of suppliers with information on the type of business, services offered, and contact person.)

A. Ask manufacturer's representatives to suggest alternative sources of supply for non-competing lines, new services, and/or new products

B. Read trade journals for advertisements by vendors

C. Ask business associates for suggestions

D. Visit trade exhibits at conferences to find leads

E. Read Yellow Pages and business directories for local suppliers

F. Attend major markets where an area is provided for manufacturers and buyers to meet

EXAMPLES: Dallas, Texas; Atlanta, Georgia; Chicago, Illinois; San Francisco, California; New York, New York

G. Have rack jobbers maintain certain lines of goods and special departments

X. Considerations for qualifying suppliers

(NOTE: It is important for the manager to take time to size up each supplier before buying its merchandise.)

A. Consider quality in relation to customer needs and the store's image

(NOTE: Managers must buy merchandise which meets the needs of their store's customers. Buying items of greater quality than needed or demanded is just as bad as buying items of poor quality.)

INFORMATION SHEET

B. Consider price of the items

C. Consider reliability of supplier to make deliveries on time

D. Consider the ability of the store to contact the sales representative

E. Consider services needed by the store

EXAMPLES: Spaced deliveries, packaging for shipment and promotion, "give-away" promotional materials, discounts for early payment, paid shipping charges

XI. Methods of buying merchandise for resale (Assignment Sheet #3)

A. Trips to major market centers allow buyer to visit several vendors at one time

B. Traveling salespeople provide an inexpensive way for businesses to order merchandise "at home"

C. Catalogs are normally used for repeat orders of staple goods when stocks are running low and the sales representative is not expected for some time

D. Modern technology is providing new quick-service methods of ordering merchandise

EXAMPLES: WATS lines, computerized catalogs, computerized inventory control systems

XII. True statements about ordering merchandise (Transparencies #3 and #4; Assignment Sheet #4)

A. Small businesses frequently order merchandise by writing letters to companies

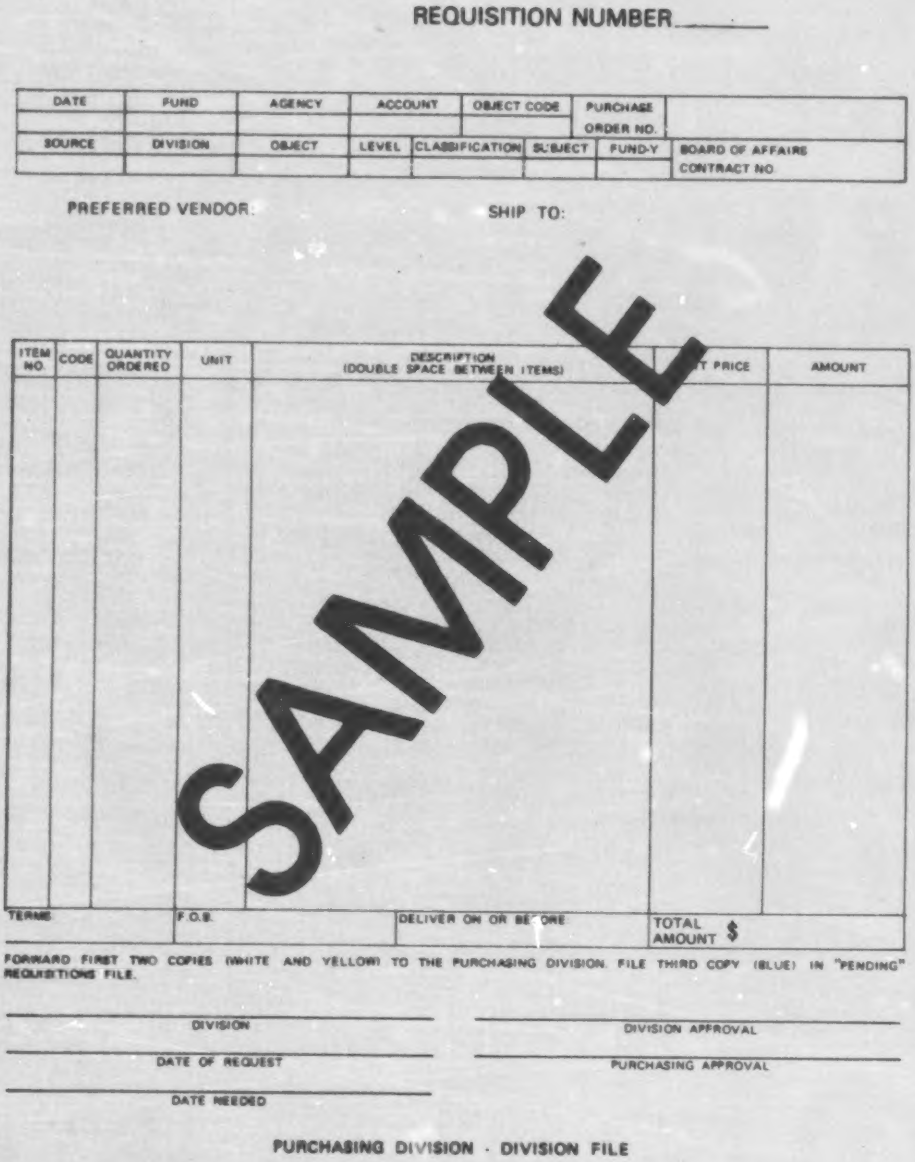
B. Large businesses use requisitions for purchase and purchase orders to order merchandise (Figures 6 and 7)

INFORMATION SHEET

1. Department head prepares requisition for purchase and gives it to the buyer or purchasing agent

EXAMPLE:

FIGURE 6



SAMPLE

REQUISITION NUMBER______

DATE	FUND	AGENCY	ACCOUNT		OBJECT CODE		PURCHASE ORDER NO.
SOURCE	DIVISION	OBJECT	LEVEL	CLASSIFICATION	SUBJECT	FUND-Y	BOARD OF AFFAIRS CONTRACT NO.

PREFERRED VENDOR:

SHIP TO:

ITEM NO.	CODE	QUANTITY ORDERED	UNIT	DESCRIPTION (DOUBLE SPACE BETWEEN ITEMS)	UNIT PRICE	AMOUNT

TERMS	F.O.B.	DELIVER ON OR BEFORE	TOTAL AMOUNT $

FORWARD FIRST TWO COPIES (WHITE AND YELLOW) TO THE PURCHASING DIVISION. FILE THIRD COPY (BLUE) IN "PENDING" REQUISITIONS FILE.

DIVISION

DATE OF REQUEST

DATE NEEDED

DIVISION APPROVAL

PURCHASING APPROVAL

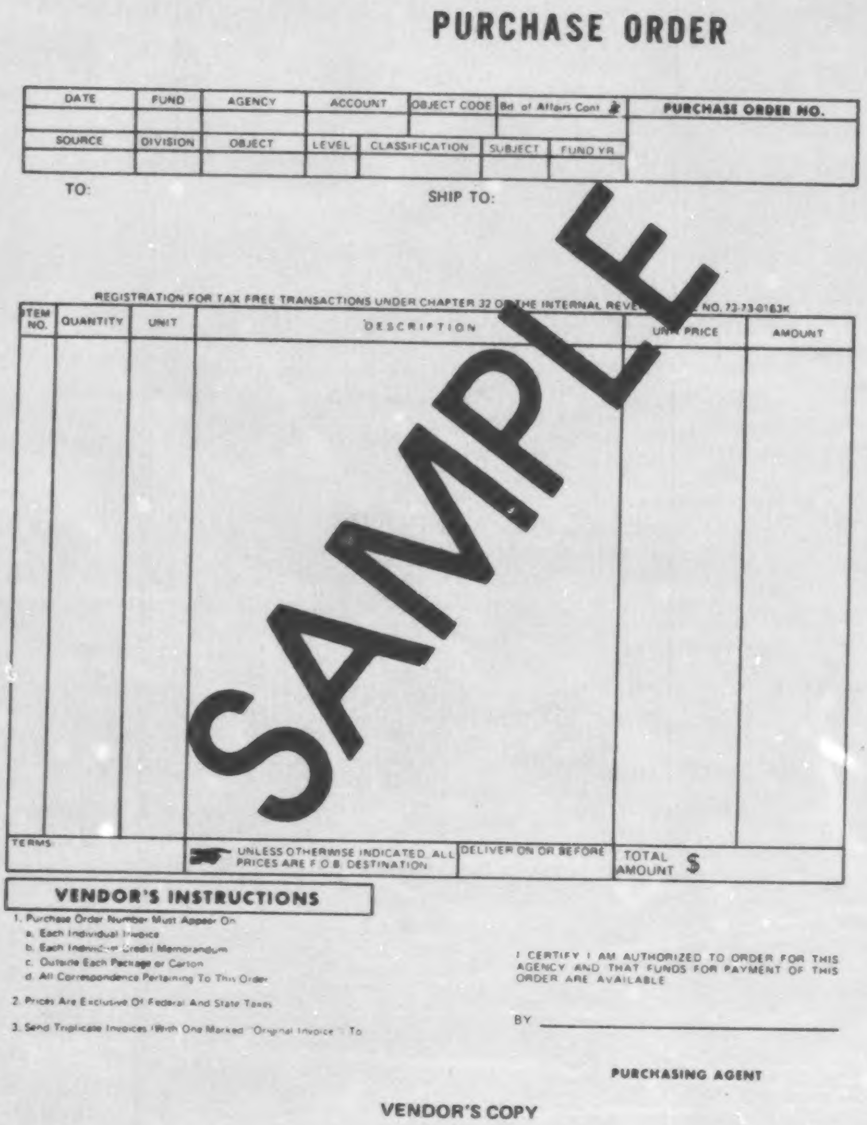
PURCHASING DIVISION · DIVISION FILE

INFORMATION SHEET

2. Purchase order is prepared from the purchase requisition and mailed to the vendor for processing

EXAMPLE:

FIGURE 7



PURCHASE ORDER

DATE	FUND	AGENCY	ACCOUNT	OBJECT CODE	Bd of Affairs Cont	**PURCHASE ORDER NO.**
SOURCE	DIVISION	OBJECT	LEVEL	CLASSIFICATION	SUBJECT	FUND YR

TO:

SHIP TO:

REGISTRATION FOR TAX FREE TRANSACTIONS UNDER CHAPTER 32 O[illegible]THE INTERNAL REVE[illegible] NO. 73-73-0163K

ITEM NO.	QUANTITY	UNIT	DESCRIPTION	UN[illegible] PRICE	AMOUNT

TERMS	UNLESS OTHERWISE INDICATED ALL PRICES ARE F.O.B. DESTINATION	DELIVER ON OR BEFORE	TOTAL AMOUNT $

SAMPLE

VENDOR'S INSTRUCTIONS

1. Purchase Order Number Must Appear On
   a. Each Individual Invoice
   b. Each Individual Credit Memorandum
   c. Outside Each Package or Carton
   d. All Correspondence Pertaining To This Order
2. Prices Are Exclusive Of Federal And State Taxes
3. Send Triplicate Invoices (With One Marked "Original Invoice") To

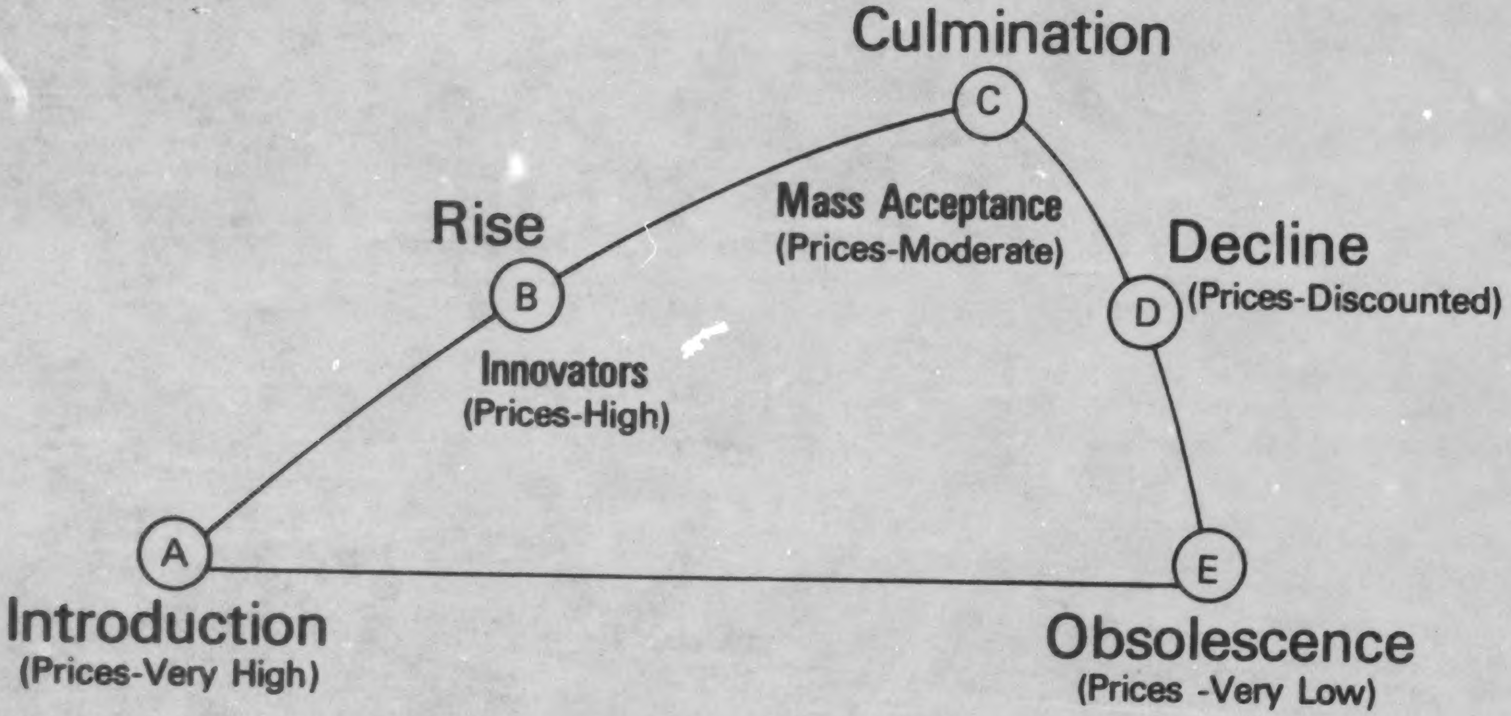
I CERTIFY I AM AUTHORIZED TO ORDER FOR THIS AGENCY AND THAT FUNDS FOR PAYMENT OF THIS ORDER ARE AVAILABLE

BY ______________________________

PURCHASING AGENT

VENDOR'S COPY

Stages of the Product Cycle



Culmination

Rise

Mass Acceptance
(Prices-Moderate)

Decline
(Prices-Discounted)

Innovators
(Prices-High)

Introduction
(Prices-Very High)

Obsolescence
(Prices -Very Low)

Resource File Card

Dept. No. ____________
Date ____________

Resource ____
Check one: Manufacturer ________ Wholesaler ________ Importer ________
Type merchandise: ________________
Quality: High ____________ Medium ____________ Budget ____________
Sales office address ____
Factory or warehouse address ______________________
Contact name ______________________ Phone no. ____________
FOB Point ______________
Cash discount or terms ____________
Advertising allowance ______________ Freight allowance ____________
Average delivery period ______________ Percent markdowns ____________

Buyer's Signature: ______________________

TM #2

BMO - 19-E

BMO - 21-E

Requisition for Purchase

REQUISITION NUMBER________

DATE	FUND	AGENCY	ACCOUNT		OBJECT CODE	PURCHASE ORDER NO.	
SOURCE	DIVISION	OBJECT	LEVEL	CLASSIFICATION	SUBJECT	FUND-Y	BOARD OF AFFAIRS CONTRACT NO.

PREFERRED VENDOR:

SHIP TO:

SAMPLE

ITEM NO.	CODE	QUANTITY ORDERED	UNIT	DESCRIPTION (DOUBLE SPACE BETWEEN ITEMS)	UNIT PRICE	AMOUNT

TERMS:	F.O.B.	DELIVER ON OR BEFORE:	TOTAL AMOUNT $

FORWARD FIRST TWO COPIES (WHITE AND YELLOW) TO THE PURCHASING DIVISION. FILE THIRD COPY (BLUE) IN "PENDING" REQUISITIONS FILE.

________________ DIVISION

________________ DIVISION APPROVAL

________________ DATE OF REQUEST

________________ PURCHASING APPROVAL

________________ DATE NEEDED

PURCHASING DIVISION - DIVISION FILE

Purchase Order Form

PURCHASE ORDER

DATE	FUND	AGENCY	ACCOUNT	OBJECT CODE	Bd. of Affairs Cont. #		PURCHASE ORDER NO.
SOURCE	DIVISION	OBJECT	LEVEL	CLASSIFICATION	SUBJECT	FUND-YR	

TO:

SHIP TO:

SAMPLE

REGISTRATION FOR TAX FREE TRANSACTIONS UNDER CHAPTER 32 OF [illegible] RNAL R[illegible]ENUE CODE NO. 73-73-0163K

ITEM NO.	QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT
TERMS:			☞ UNLESS OTHERWISE INDICATED, ALL PRICES ARE F.O.B. DESTINATION.	DELIVER ON OR BEFORE	TOTAL AMOUNT $

VENDOR'S INSTRUCTIONS

1. Purchase Order Number Must Appear On:
   - a. Each Individual Invoice
   - b. Each Individual Credit Memorandum
   - c. Outside Each Package or Carton
   - d. All Correspondence Pertaining To This Order
2. Prices Are Exclusive Of Federal And State Taxes
3. Send Triplicate Invoices (With One Marked "Original Invoice") To:

I CERTIFY I AM AUTHORIZED TO ORDER FOR THIS AGENCY AND THAT FUNDS FOR PAYMENT OF THIS ORDER ARE AVAILABLE.

BY: ______________________________

PURCHASING AGENT

VENDOR'S COPY

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

ASSIGNMENT SHEET #1–LIST RELATED ITEMS FOR MAJOR LINES OF MERCHANDISE

NAME ______________________ SCORE __________

One of the characteristics of good merchandising practices is that related items should be carried by the store. Although major lines are most important, related items are used to increase sales and to improve customer satisfaction.

In this assignment, you will list related items for each of several major lines of merchandise. Related items should be appropriate for use with major line merchandise.

MAJOR LINE	RELATED ITEMS
Blazer	
Hand mixer	
Opal ring	
Boots	
Tennis racket	
Cake mix	
Typewriter	
Slacks	
Necklace	
Camera	

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

ASSIGNMENT SHEET #2--SOLVE A MANAGEMENT CASE STUDY

NAME______________________________________ SCORE__________________

Managers must plan merchandising activities far enough in advance to insure that their departments will be adequately stocked when selling seasons change. Managers are faced with the problem of ordering bathing suits when there may still be snow on the ground . . . and . . . winter coats when the thermometer reaches for 100°F. New managers, in particular, find it difficult to decide what types of merchandise to order and from whom it should be ordered.

Read the following case study and tell what you would do if you were placed in a similar situation.

PART I--Case Study

Mary Jaworsky was promoted to the manager of the junior department in a large store three weeks ago. During a management meeting earlier this week, Mary was reminded that she has to request spring merchandise lines by the last day of next month. She has six weeks to turn in all requisitions to the merchandise manager for processing.

Although Mary had assisted the previous department manager with ordering last year's spring merchandise, she does not feel comfortable with this area of responsibility. Mary knows that there is a fashion buyers' show in Dallas in two weeks. She has several catalogs, trade journals, and past records, but is not certain how to put it all together.

PART II--How would you react if you were Mary?

A. Identify the true problem.

____

____

____

____

____

B. Gather information.

____

____

____

____

ASSIGNMENT SHEET #2

C. List possible solutions.

D. Evaluate probable results of each solution.

E. Decide on the best solution.

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

ASSIGNMENT SHEET #3--DESCRIBE APPROPRIATE BUYING METHODS FOR SELECTED RETAIL STORES

NAME______________________________ SCORE______________

Managers are responsible for seeing that merchandise is stocked in sufficient quantities to insure customer satisfaction. Satisfied customers are likely to return to the store again, thereby increasing sales and profits for the business. Basically, there are three methods of buying merchandise for resale: (1) from traveling salespeople; (2) by making trips to major markets; and, (3) through catalog orders.

In this assignment, you will examine several types of retail stores and describe which buying method is most appropriate for the business.

A. Exclusive fashion store

1. Primary buying method--____________________________

2. Why did you select this method?________________________

B. Department store

1. Primary buying method--____________________________

2. Why did you select this method?________________________

ASSIGNMENT SHEET #3

C. Small grocery store

1. Primary buying method--____________________

2. Why did you select this method?____________________

D. Sporting goods store

1. Primary buying method--____________________

2. Why did you select this method?____________________

E. Neighborhood drugstore

1. Primary buying method--____________________

2. Why did you select this method?____________________

ASSIGNMENT SHEET #3

F. Hardware store

1. Primary buying method--________________________________

2. Why did you select this method?___________________________

____

____

____

____

____

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

ASSIGNMENT SHEET #4--COMPLETE A REQUISITION FOR PURCHASE AND A PURCHASE ORDER

NAME______________________________ SCORE_______________

Most companies order merchandise from vendors through the Purchase-Requisition-Order process. In this assignment, you will complete each of these forms.

Assume that you are the department manager for the appliance department of a department store. You are running low of stock in three staple items made by the LarisCo Company. LarisCo is located at 298 Northwest 4th Street in Oklahoma City, Oklahoma. You need to reorder the following products:

Eight	LarisCo Portable Hand Mixers Catalog #364BA8	Unit price $8.49
10	LarisCo Popcorn Poppers Catalog #68BCE9	Unit price $10.89
Eight	LarisCo 14-Speed Blenders Catalog #B345	Unit Price $16.99

In Part II, you will assume the position of the purchasing agent/merchandise manager and complete the Purchase Order for the items requested on the Requisition for Purchase.

ASSIGNMENT SHEET #4

PART I--Complete the Requisition for Purchase

A. Record information found on the preceding page

B. Use ink or type information

C. Use current date

D. Supply other information as necessary

ABC DEPARTMENT STORE
1429 Uknowhere Street
Yourtown, OK 74994

REQUISITION NUMBER_______

PREFERRED VENDOR:

SHIP TO:

ITEM NO.	CODE	QUANTITY ORDERED	UNIT	DESCRIPTION (DOUBLE SPACE BETWEEN ITEMS)	UNIT PRICE	AMOUNT

TERMS: Net 30 days	F.O.B. Destination	DELIVER ON OR BEFORE:	TOTAL AMOUNT $

FORWARD FIRST TWO COPIES (WHITE AND YELLOW) TO THE PURCHASING DIVISION. FILE THIRD COPY (BLUE) IN "PENDING" REQUISITIONS FILE.

DIVISION

DIVISION APPROVAL

DATE OF REQUEST

PURCHASING APPROVAL

DATE NEEDED

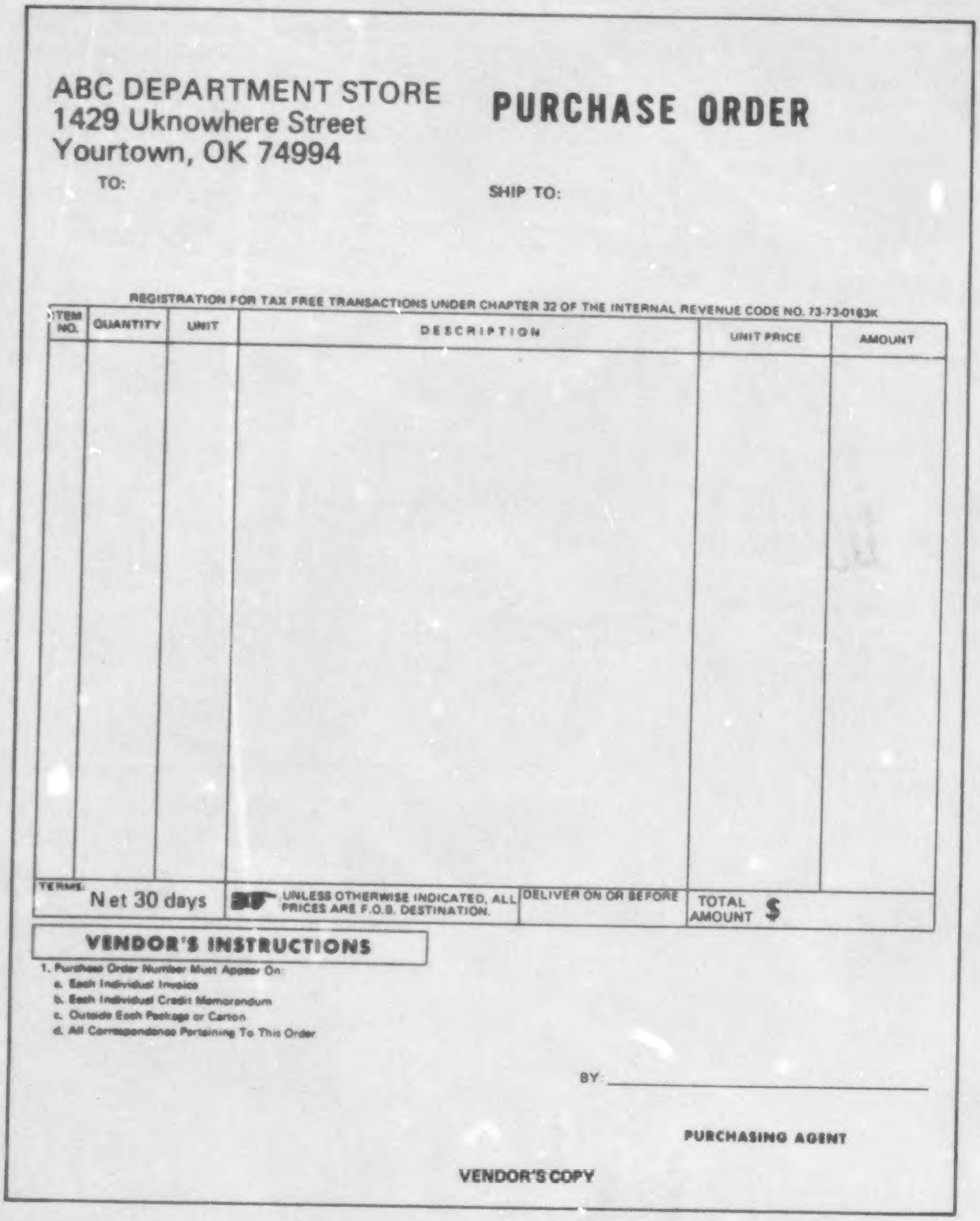
PURCHASING DIVISION - DIVISION FILE

ASSIGNMENT SHEET #4

PART II--Complete the Purchase Order

A. Obtain information from the Requisition for Purchase

B. Use ink or type information



ABC DEPARTMENT STORE
1429 Uknowhere Street
Yourtown, OK 74994

PURCHASE ORDER

TO:

SHIP TO:

REGISTRATION FOR TAX FREE TRANSACTIONS UNDER CHAPTER 32 OF THE INTERNAL REVENUE CODE NO. 73-73-0163K

ITEM NO.	QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT

TERMS: Net 30 days	UNLESS OTHERWISE INDICATED, ALL PRICES ARE F.O.B. DESTINATION.	DELIVER ON OR BEFORE	TOTAL AMOUNT $

VENDOR'S INSTRUCTIONS

1. Purchase Order Number Must Appear On:
   a. Each Individual Invoice
   b. Each Individual Credit Memorandum
   c. Outside Each Package or Carton
   d. All Correspondence Pertaining To This Order

BY: ______________________

PURCHASING AGENT

VENDOR'S COPY

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3--

A. 1. Making trips to major markets

2. Because the store is more likely to find merchandise that is not sold all over the trading area. Buyer may contact specific vendor and request exclusive distribution rights

B. 1. Making trips to major markets

2. Because the buyer is able to see merchandise from several vendors at one time

C. 1. Traveling salespeople

2. Inexpensive way to order merchandise; many items are seasonal and basic stock merchandise

D. 1. Traveling salespeople

2. Inexpensive way to order merchandise; many items are seasonal and basic stock merchandise

E. 1. Catalog orders

2. Most items are basic stock merchandise; there is very little "fashion" change involved in most drugstore merchandise

F. 1. Traveling salespeople

2. Inexpensive way to order merchandise; many items are seasonal and basic stock merchandise

Assignment Sheet #4

(NOTE: Forms are on following pages.)

ANSWERS TO ASSIGNMENT SHEETS

PART I

ABC DEPARTMENT STORE
1429 Uknowhere Street
Yourtown, OK 74994

REQUISITION NUMBER (Supply #)

PREFERRED VENDOR:
LarisCo
298 NW 4th Street
Oklahoma City, OK

SHIP TO:
ABC Department Store
1429 Uknowhere Street
Yourtown, OK 74994

ITEM NO.	CODE	QUANTITY ORDERED	UNIT	DESCRIPTION (DOUBLE SPACE BETWEEN ITEMS)	UNIT PRICE	AMOUNT
1		8	ea	Portable hand mixer #364BA8	$ 8.49	$ 67.92
2		10	ea	Popcorn popper #68BCE9	10.89	108.90
3		8	ea	14-Speed Blender #B345	16.99	135.92

TERMS Net 30 days	F.O.B. Destination	DELIVER ON OR BEFORE	TOTAL AMOUNT $ 312.74

FORWARD FIRST TWO COPIES (WHITE AND YELLOW) TO THE PURCHASING DIVISION. FILE THIRD COPY (BLUE) IN "PENDING" REQUISITIONS FILE

Appliance Department
DIVISION

(Student's signature)
DIVISION APPROVAL

(Today's date)
DATE OF REQUEST

PURCHASING APPROVAL

(Supply date)
DATE NEEDED

PURCHASING DIVISION · DIVISION FILE

ANSWERS TO ASSIGNMENT SHEETS

PART II

ABC DEPARTMENT STORE
1429 Uknowhere Street
Yourtown, OK 74994

PURCHASE ORDER

TO:

LarisCo
298 NW 4th Street
Oklahoma City, OK

SHIP TO:

ABCDepartment Store
1429 Uknowhere Street
Yourtown, OK 74994

REGISTRATION FOR TAX FREE TRANSACTIONS UNDER CHAPTER 32 OF THE INTERNAL REVENUE CODE NO. 73-73-0163K

ITEM NO.	QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT
1	8	ea	#364BA8 Portable hand mixer	$ 8.49	$ 67.92
2	10	ea	#68BCE9 Popcorn popper	10.89	108.90
3	8	ea	#B345 14-Speed blender	16.99	135.92

TERMS:		DELIVER ON OR BEFORE	TOTAL AMOUNT
Net 30 days	UNLESS OTHERWISE INDICATED, ALL PRICES ARE F.O.B. DESTINATION.	(Supply date)	$ 312.74

VENDOR'S INSTRUCTIONS

1. Purchase Order Number Must Appear On:
   a. Each Individual Invoice
   b. Each Individual Credit Memorandum
   c. Outside Each Package or Carton
   d. All Correspondence Pertaining To This Order

BY: (Student's signature)

PURCHASING AGENT

VENDOR'S COPY

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with trading area and merchandise selection to their correct definitions. Write the correct numbers in the blanks.

_____a. Geographic area from which a store can expect to draw its customers

_____b. Potential customers for a good or service; final consumers toward whom all marketing activities are directed

_____c. Person designated to purchase merchandise for resale

_____d. Group of people who regularly shop at and show loyalty to a store

_____e. Person who stays in an area only a brief period of time, then moves on

_____f. Process of getting the right merchandise to the right place at the right price and at the right time

_____g. Products which customers purchase continuously throughout the year

_____h. Way that a retail store is perceived by the community

_____i. Stages through which a product moves throughout its existence on the market

_____j. Process of studying what the competition is doing by sending someone out to report on merchandise lines, prices, and services offered by those stores

_____k. Cities in which most buying functions are centered

_____l. All activities involved in getting goods and services from the producer to the consumer

_____m. Process of purchasing goods for resale

_____n. Form upon which a department manager requests merchandise and/or supplies

1. Buyer
2. Clientele
3. Comparison shopping
4. Major markets
5. Market
6. Merchandising
7. Product cycle
8. Staple goods
9. Store image
10. Trading area
11. Transient
12. Buying
13. Marketing
14. Requisition for purchase

TEST

_____ o. Form upon which requested items are recorded and mailed to a vendor for processing; form upon which a business orders its merchandise

_____ p. Person who supplies retailers with merchandise racks and maintains an appropriate merchandise mix

_____ q. Record of requests made by customers for merchandise not currently carried, or out-of-stock merchandise within a store

_____ r. Magazine which deals with information about a certain industry

_____ s. Supplier of manufactured goods

_____ t. Statistics relating to a population with regard to age, income, capacity for expansion, and density

_____ u. Variety of goods stocked by a business in such a manner that customers have a selection and store's profits are maximized

15. Rack jobber
16. Purchase order
17. Trade journal
18. Vendor
19. Want slip
20. Merchandise mix
21. Demographics

2. Select from the following list elements of a trading area. Write an "X" in the blank before each correct answer.

_____ a. Customer/traffic flow

_____ b. Major market influences

_____ c. Number of public schools in the community

_____ d. Characteristics of the market population

_____ e. Local business community

3. Discuss characteristics of various trading areas.

a. Small town--____

____

____

____

____

____

TEST

b. City-- ____________________

____

____

____

____

____

____

c. Suburb-- ____________________

____

____

____

____

____

____

4. Select from the following list true statements about trading area influences on merchandising activities. Write an "X" in the blank before each correct answer.

_____a. Permanent residents are mainly attracted by special promotions and low prices and not by loyalty to any one store

_____b. Income, occupation, and education of the population influence merchandising activities

_____c. Merchandise must "fit" the income level of the market population

_____d. Transients usually become clientele for area stores

_____e. Customer needs and desires may be indicated by looking at the area labor market

_____f. Level of education may have a direct influence on types of goods and services desired by the market

_____g. Population mobility has no effect on merchandising activities

TEST

5. Distinguish among characteristics of various types of business locations. Write a "C" for central shopping district/string street; an "N" for neighborhood shopping area, an "S" for shopping center, and an "M" for regional or enclosed mall, in the blanks.

_____a. Operating costs are usually high

_____b. Deal heavily in convenience and shopping goods

_____c. High incidence of commercial crime

_____d. Wide variety of stores and merchandise sold

_____e. Pockets of stores within residential areas

_____f. Planned for mixture of tenants

_____g. Has same characteristics as shopping center

_____h. Clientele lives in the community and surrounding areas

_____i. Businesses can easily personalize store to residents

_____j. Special exhibits and promotions are common center-wide activities

_____k. Ample parking is provided

_____l. Clientele lives in nearby residential areas

_____m. Operating costs vary with actual location of center

_____n. Climate-controlled for customer convenience

_____o. Customers live in nearby areas

_____p. Usually centers around "main" street

_____q. Stores are usually limited in size and layout

_____r. Medium operating costs

_____s. Competition is keen

_____t. Heavy pedestrian traffic

_____u. Widespread advertising campaigns attract many customers to all stores in the area

_____v. Participation in special promotions is usually required

_____w. Insufficient parking areas cause traffic congestion

TEST

6. Discuss characteristics of a good merchandise mix.

____

____

____

____

____

____

____

____

____

7. List in order the five stages of the product cycle.

a. ______________________________________

b. ______________________________________

c. ______________________________________

d. ______________________________________

e. ______________________________________

8. Select from the following list guides used in determining merchandise selection. Write an "X" in the blank before each correct answer.

______a. Records of past sales and purchases are seldom used to estimate future sales and purchases

______b. Customer want slips tell how many customers have been in the department during the past season

______c. Comparison shopping gives an indication of which departments are doing the largest percent of sales as compared to all other departments

______d. Trade journals present information about neighborhood "for trade or sale" bargains

______e. Vendors/sales representatives provide product information and buying trends

______f. Merchandise mix creates store flexibility in an effort to meet customer demand

TEST

9. Discuss ways to identify suppliers.

10. It is important for managers to take time to "size up" each supplier before contracting to buy merchandise. On the lines provided below, discuss considerations for qualifying suppliers.

a.

b.

c.

d.

e.

11. Discuss methods of buying merchandise for resale.

TEST

12. Select from the following list true statements about ordering merchandise. Write an "X" in the blank before each correct answer.

_____a. Requisition for purchase is mailed to a vendor for processing

_____b. In large department stores, store managers usually prepare requisitions for purchase

_____c. Small businesses frequently order merchandise by writing letters to companies

_____d. Large businesses use requisitions for purchase and purchase orders to order merchandise

(NOTE: Test questions 13-16 are assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

13. List related items for major lines of merchandise.

14. Solve a management case study.

15. Describe appropriate buying methods for selected retail stores.

16. Complete a requisition for purchase and a purchase order.

TRADING AREA AND MERCHANDISE SELECTION
UNIT I

ANSWERS TO TEST

1. a. 10
   b. 5
   c. 1
   d. 2
   e. 11
   f. 6
   g. 8
   h. 9
   i. 7
   j. 3
   k. 4
   l. 13
   m. 12
   n. 14
   o. 16
   p. 15
   q. 19
   r. 17
   s. 18
   t. 21
   u. 20

2. a, d, e

3. Discussion should include
   a. Small town
      1) Businesses cluster around main street
      2) Friendliness and spirit of cooperation among competitors is common
      3) Fewer customers per day than in city/suburb stores
      4) Personalized customer service is prevalent
   b. City
      1) Central business district
         a) Population shifts to suburban areas have caused deterioration of many downtown areas
         b) Has higher crime rates than outlying centers
         c) Insufficient parking is a major problem in most downtown areas
         d) Urban renewal projects are revitalizing many downtown areas
      2) Neighborhood district
         a) Predominately residential area
         b) Most centers offer personal services and convenience stores

ANSWERS TO TEST

c. Suburb

1) Tremendous growth over past 25 years
2) Relies heavily on automobiles for transportation
3) Parks, playgrounds, neighborhood schools, and shopping centers characterize area

4. b, c, e, f

5. a. C
b. N
c. C
d. C
e. N
f. S
g. M
h. C
i. N
j. M
k. S
l. N
m. S
n. M
o. S
p. C
q. N
r. N
s. C
t. C
u. C
v. S
w. C

6. Discussion should include

a. Merchandise selection should be based upon the market's needs, desires, and purchasing power

b. Merchandise should reflect the store's image

c. Size and style ranges within merchandise lines should be large enough to meet customer needs and desires

d. Related items should be carried by the store

e. Sufficient quantities of merchandise must be purchased and stocked at appropriate times

f. Merchandise should be chosen at appropriate stages within the product cycle

7. a. Introduction
b. Rise/innovation
c. Culmination/mass acceptance
d. Decline
e. Obsolescence

ANSWERS TO TEST

8. e, f
9. Discussion should include
    a. Ask manufacturer's representatives to suggest alternative sources of supply for non-completing lines, new services, and/or new products
    b. Read trade journals for advertisements by vendors
    c. Ask business associates for suggestions
    d. Visit trade exhibits at conferences to find leads
    e. Read Yellow Pages and business directories for local suppliers
    f. Attend major markets where an area is provided for manufacturers and buyers to meet
    g. Have rack jobbers maintain certain lines of goods and special departments
10. Discussion should include
    a. Consider quality in relation to customers' needs and the store's image
    b. Consider price of the items
    c. Consider reliability of supplier to make deliveries on time
    d. Consider the ability of the store to contact the sales representative
    e. Consider services needed by the store
11. Discussion should include
    a. Trips to major market centers allow buyer to visit several vendors at one time
    b. Traveling salespeople provide an inexpensive way for business to order merchandise "at home"
    c. Catalogs are normally used for repeat orders of staple goods when stocks are running low and the sales representative is not expected for some time
    d. Modern technology is providing new quick-service methods of ordering merchandise
12. c, d

ANSWERS TO TEST

13. Evaluated to the satisfaction of the instructor
14. Evaluated to the satisfaction of the instructor
15. Evaluated to the satisfaction of the instructor
16. Evaluated to the satisfaction of the instructor

MERCHANDISE CONTROL OPERATIONS
UNIT II

UNIT OBJECTIVE

After completing this unit, the student should be able to control merchandise operations in a retail store effectively. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with merchandise control operations to their correct definitions.
2. Arrange in order steps for effective merchandise control.
3. Discuss considerations for developing a merchandise plan.
4. Describe procedures used in developing a merchandise plan.
5. Select from a list guidelines for ordering appropriate merchandise for resale.
6. Match terms associated with discounts and shipping terms to their correct definitions.
7. Arrange in order steps to take when preparing merchandise for resale.
8. Discuss methods of determining departmental space requirements.
9. Compute stock turnover.
10. Compute stock-sales ratio.
11. Compute open-to-buy.
12. Calculate discounts and payments due.
13. Calculate prices for selected merchandise.
14. Develop a merchandise plan.
15. Calculate space requirements for given departments.

MERCHANDISE CONTROL OPERATIONS
UNIT II

SUGGESTED ACTIVITIES

I. Suggested activities

   A. Order materials planned to supplement unit--*The Buyer's Manual.* New York: National Retail Merchants Association, 1979. Available from the National Retail Merchants Association, 100 West 31st Street, New York, New York 10001.

   (NOTE: This text offers a complete guide to buying and merchandising for retail stores. It includes numerous merchandising forms and detailed explanation of mathematics used in retailing.)

   B. Make transparencies.

   C. Provide students with objective sheet.

   D. Provide students with information and assignment sheets.

   E. Discuss unit and specific objectives.

   F. Discuss information and assignment sheets.

   G. Invite a buyer or department manager to role play and/or speak with your class about the functions of a buyer and the importance of developing a merchandise plan.

   H. Use this unit as a major reference for students planning to enter the DECA Apparel and Accessories Competency-Based Written Event--Merchandise Plan.

   I. In Assignment Sheet #5, stress the point that markup may be expressed as a percentage of either the cost or the selling price. Although either method is correct, the business should be consistent as to which will be used. Also, consistency demands that the firm's management use the same base, either cost or selling price, when considering elements to weigh when setting the overall profit goal for the company.

   (NOTE: Many retail businesses deal with a cost base during the planning and ordering stages of the merchandising process. Once the goods enter the state and are tagged, retail selling price is used.)

   J. Give test.

   K. Reteach and retest if necessary.

II. Instructional materials

   A. Objective sheet

   B. Suggested activities

SUGGESTED ACTIVITIES

C. Information sheet

D. Transparency masters

  1. TM #1--Merchandise Plan
  2. TM #2--Markup on Selling Price vs Markup on Cost
  3. TM #3--Effect of Discounts on Maintained Markup

E. Assignment sheets

  1. Assignment Sheet #1--Compute Stock Turnover
  2. Assignment Sheet #2--Compute Stock-Sales Ratio
  3. Assignment Sheet #3--Compute Open-To-Buy
  4. Assignment Sheet #4--Calculate Discounts and Payments Due
  5. Assignment Sheet #5--Calculate Prices for Selected Merchandise
  6. Assignment Sheet #6--Develop a Merchandise Plan
  7. Assignment Sheet #7--Calculate Space Requirements for Given Departments

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. *The Buyer's Manual.* New York: National Retail Merchants Association, 1979.

B. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

C. Nelson, Frank. *D.E. II Course of Study.* Stillwater, Oklahoma: State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1976.

D. Stull, William A. *Marketing Math.* Cincinnati: South-Western Publishing Company, 1979.

E. Zaun, Duane. *Mathematics for Sales and Marketing-Management.* Minneapolis: Conrad Publishing Company, 1979.

MERCHANDISE CONTROL OPERATIONS
UNIT II

INFORMATION SHEET

I. Terms and definitions

A. Basic stock list--List of merchandise that is to be kept in stock at all times

B. Cost of goods sold--Amount paid for merchandise, including all shipping costs

C. Dating--Time limits on payment of purchases

D. List price--Retail price paid by customers as suggested in manufacturers' catalogs

E. Maintained markup--Difference between cost of goods sold and net sales

F. Markdown--Reduction of the selling price

G. Markup--Amount added to the cost of goods sold to arrive at the selling price

(NOTE: Initial markup is also called *markon.*)

H. Merchandise--Goods that are bought and sold in a business

(NOTE: If an item is used by the business it is considered *supplies,* not merchandise.)

I. Merchandise plan--In-depth merchandising program in which sales projections are supported with sufficient stock to achieve planned sales

J. Multiple pricing--Pricing merchandise in groups; gives appearance of "getting more for less"

(NOTE: A larger profit may result because more merchandise is sold without increasing the cost of handling the merchandise.)

EXAMPLE: Four for $1.00 . . . or . . . 25¢ each

K. Open-to-buy--Amount of money left during a given period to purchase merchandise without going over planned inventory

L. Price lining--Process of establishing a single selling price for a variety of prices within a narrow range

EXAMPLE: If the selling prices for several items are calculated as $3.02, $3.00, $2.98, and $3.03, the store would probably set the price line at $2.98 for all merchandise listed.

INFORMATION SHEET

M. Ratio--Relationship in amount or size between two or more things

N. Resale--Process of selling merchandise which has been purchased from vendors to sell to customers

O. Selling price--Retail price paid by customer

P. Stock-sales ratio--Relationship of retail stock to the sales for a given month

(NOTE: This allows a department to figure how much stock it will need in order to meet planned sales for the month and still leave merchandise at the end of the month for the next month's beginning-of-the-month stock.)

Q. Trend–General tendency or direction of activity

R. Turnover--Number of times during a given period that the average amount of stock on hand is sold and replaced

(NOTE: The time period for figuring turnover is usually one year. Turnover may be expressed in either units or dollars. It is helpful to compare turnover rates with the rates of past years and similar departments. The National Retail Merchants Association publishes a book containing operating figures for past years for various departments in retailing. Profit can be increased by increasing turnover without an equal or larger increase in operating expenses.)

S. Unit price--Price per item

II. Steps for effective merchandise control

A. Develop a merchandise plan

B. Order merchandise

C. Price merchandise

D. Take measures to insure inventory control

III. Considerations for developing a merchandise plan

A. Department manager or buyer develops the plan

(NOTE: A merchandise plan usually covers a six-month period and should be completed not less than sixty days prior to the beginning of the planned season.)

1. Consider last year's season's sales figures as a guide to improvement and success for this year's season

2. Consider product lines, planned stock-sales ratio, turnover, initial markup, markdowns, and purchases

INFORMATION SHEET

B. Division or store manager approves the plan

  1. Consider comparative store operations

  2. Consider local economic conditions

IV. Procedures used in developing a merchandise plan (Transparency #1; Assignment Sheets #1, #2, #3, and #6)

(NOTE: Merchandise plans are commonly used in businesses which carry non-perishable goods. They are rarely seen in firms which carry foods and other perishable items which have high turnover rates.)

EXAMPLE:

Six-Month Merchandise Plan

☐ Total Company
☐ Total Store ______ Store No. #2
☒ Department Health and Beauty Aids Dept. No. 312
☐ Classification ______ Classif. No. ______

☐ Spring, 19 ☐ Fall, 19	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.	June Dec.	July Jan.	TOTAL
Net Sales							
Last year	5,000	9,000	11,000	8,000	12,000	5,000	50,000
Plan	5,500	9,900	12,100	8,800	13200	5,500	55,000
Revision							
Actual							
Beginning-of-Month Stock							(End-of-Season Stock)
Last year	21,000	31,000	35,000	35,000	45,000	35,000	33,000
Plan	22,000	27,500	33,000	27,500	33,000	25,000	22,000
Revision							
Actual							
Markdowns							
Last year	300	500	180	255	800	795	2830
Plan	200	400	200	200	700	600	2300
Revision							
Actual							
Shortages							
Last year	100	150	60	85	250	275	920
Plan	75	125	70	70	210	200	750
Revision							
Actual							
Employee Discounts							
Last year	50	90	110	80	120	50	500
Plan	55	100	120	90	130	55	550
Revision							
Actual							
Purchases (At Retail)							
Last year	15,000	13,000	11,000	18,000	2,000	-0-	59,000
Plan	11,000	15,400	6,600	14,300	5,200	2,500	55,000
Revision							
Actual							
Purchases (At Cost)							
Last year	10,700	9,300	7,850	12,850	1,425	-0-	42,125
Plan	7,850	11,000	4,700	10,200	3,700	1,800	39,250
Revision							
Actual							

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INFORMATION SHEET

A. Sales section

1. Record last year's sales by month

   (NOTE: Use the immediate trend of department sales volume as a guide for planning. For example, if the department has regularly experienced a 10% increase in sales this year over last year, calculate planned sales as 10 percent over last year's figures.)

2. Record planned sales by month

3. Leave "revision" line blank until actual numbers are available during the season when the plan should be reviewed and adjusted on a weekly basis

4. Post "actual" sales at the end of each month as figures are available during the planned season

B. Beginning-of-month stock section

1. Record last year's stock figures

2. Determine planned stock

   a. Use last year's figures as a guide, not as law

   b. Consider basic stock requirements

   c. Consider promotional merchandise requirements

   d. Calculate desired stock turnover rate or stock-sales ratio (Assignment Sheets #1 and #2)

C. Purchases (at retail) section (Assignment Sheet #3)

(NOTE: This is also called *open-to-buy.*)

1. Calculate total stock needed during the month

2. Determine current stock, allowing for delays in getting merchandise to the store

3. Calculate amount of stock to be purchased

D. Purchases (at cost) section (Assignment Sheet #6)

1. Use standard markup for department as designated by management

   (NOTE: Initial markup, also called *markon,* is expressed as a percent of purchases at retail. It should cover operating expenses of the department, freight costs, and markdown allowances, and should allow for a reasonable net profit for the store.)

INFORMATION SHEET

2. Subtract standard markup percent from 100 percent

EXAMPLE:

100%	Base percent
- 30%	Standard markup for department
70%	Cost-conversion percent

3. Multiply cost-conversion percent times purchases at retail

EXAMPLE:

$500	Purchases at retail
x .70	Cost-conversion percent
$350.00	Purchases at cost

E. Markdowns section, shortages, and employee discounts (Transparency #3)

1. Enter last year's actual figures

(NOTE: Merchandise markdowns are those taken for damaged goods, errors in buying, and other handling problems; shortages include any unexplained reduction in the value of inventory, such as shoplifting losses and careless errors in record keeping; discounts are those authorized through store policy, such as employee-purchase discounts.)

2. Determine reasonable percentages

(NOTE: Markdowns, shortages, and employee discounts will usually run consistently from one year to the next, expressed as a percent of sales.)

3. Calculate planned markdowns, shortages, and employee discounts

EXAMPLE: If planned sales for the month are $7,500 and anticipated markdown percentage is 5%, planned markdowns for the month will be $375.

$7,500	Planned sales for the month
x .05	Markdown percentage (5%)
$ 375	Planned markdowns for the month

V. Guidelines for ordering appropriate merchandise for resale

A. Review merchandise plan for necessary purchases

B. Determine items to be purchased, based upon planned merchandise mix

C. Order merchandise that will allow for appropriate retail selling prices

(NOTE: Consider percent of markup desired, cost of merchandise sold, shipping costs, and discounts made available to buyers.)

INFORMATION SHEET

VI. Discounts and shipping terms (Assignment Sheet #4)

(NOTE: It is advisable for businesses to take advantage of discounts from manufacturers whenever possible. Discounts may be based upon services performed, shipping method, and/or date of payment.)

A. Cash discount--Deduction given if full payment is made early

EXAMPLE: 2/10, n/30 means that a 2% discount may be taken if the merchandise is paid in full within 10 days from the date of the invoice. If the merchandise is not paid within 10 days, the next amount is due within 30 days of the invoice date.

B. Trade discount--Special deduction from the list price stated in catalog

(NOTE: Changing the discount serves as a simple method of adjusting prices to retailers and wholesalers in a changing market. This is less complicated and less costly than frequently reprinting price lists and catalogs.)

C. Seasonal discounts--Special discounts offered those who place orders well in advance of the normal buying period

D. Promotional discount--Allowance for advertising the merchandise

E. Chain (series) discount--Two or more discounts from the list price

(NOTE: These are deducted one at a time.)

EXAMPLE: If a 10% trade discount and a 5% cash discount were allowed on a $100 purchase, the 10% discount would be subtracted from the $100, leaving $90 ($100 x .10 = $10, $100 - $10 = $90). The 5% discount would be subtracted from the $90, leaving the cost of the merchandise $85.50 ($90 x .05 = $4.50, $90 - $4.50 = $85.50).

F. E.O.M. (end of month)--Discount period begins at the end of the month in which the invoice is dated

EXAMPLE: 3/10, n/30, E.O.M. means a 3% discount may be taken if the merchandise is paid for within 10 days after the end of the month of the date of the invoice. If the merchandise is not paid within this time, the net amount is due within 30 days after the end of the month in which the merchandise is invoiced.

G. R.O.G. (receipt of goods)--Discount period not beginning until the day the merchandise is received by the store, rather than beginning on the invoice date

EXAMPLE: 2/10, n/30 R.O.G. means a 2% discount may be taken if the merchandise is paid for within 10 days of the date the goods are received in the store. If the merchandise is not paid within this time, the net amount is due within 30 days from the date the goods are received.

INFORMATION SHEET

H. Extra dating--Additional days, designated by an "X," given to the buyer before payment is due

EXAMPLE: n/30, 60X means the total payment is not due for 90 days.

I. Advance dating (postdating)--Payment of merchandise computed from a date after the merchandise is shipped

(NOTE: This is done to encourage buying before the rush season begins.)

EXAMPLE: Merchandise may be shipped in February but have an invoice date of May 4.

J. F.O.B. (free on board)--Point in the transfer of merchandise where the person buying the merchandise begins paying the shipping costs

EXAMPLE: "F.O.B. Chicago" means the shipping costs were paid by the manufacturer until the merchandise reached Chicago. The person buying the merchandise started paying the shipping costs from Chicago. "F.O.B. destination" means that all shipping costs will be paid by the manufacturer.

K. Consignment--Merchandise remains the property of the seller and is paid for after it has been sold; any unsold merchandise may be returned to original seller if it is in good condition

(NOTE: Equipment may sometimes be bought on consignment. This is a less expensive way to begin a business. The term "on memorandum" is very similar to consignment selling except the buyer does own the title to the goods.)

VII. Steps to take when preparing merchandise for resale (Transparencies #2 and #3; Assignment Sheet #5)

A. Receive all merchandise at a specified receiving point

B. Check all merchandise for damage

(NOTE: Make note on the receipt of any damaged packages and/or items.)

C. Check all shipments against purchase orders or invoices to insure accuracy in record keeping and billing

INFORMATION SHEET

D. Calculate the selling price for each item (Transparencies #2 and #3; Assignment Sheet #5)

(NOTE: Oftentimes, businesses use tables to simplify calculations of retail selling prices. See example.)

EXAMPLE:

Desired Markup %--Selling Price	Corresponding % of Cost
50.0%	100.0%
42.8%	75.0%
40.0%	66.4%
33.0%	50.0%
30.0%	42.9%
25.0%	33.3%
20.0%	25.0%
16.7%	20.0%
10.0%	11.1%
9.0%	10.0%
5.0%	5.3%

Locate the desired markup percentage based on selling price in the left-hand column. Multiply the cost of the item by the corresponding percentage of cost in the right-hand column. To determine the selling price, add that amount to the cost of the item.

VIII. Methods of determining departmental space requirements (Assignment Sheet #7)

A. Space-productivity ratio methods

(NOTE: Planning space requirements using space-productivity ratio methods has two major drawbacks: [1] they tend to perpetuate inefficiencies that may have been present in past operations; and [2] they give little consideration to the actual physical space needs of items within a department.)

1. Calculate space needed by dividing department sales by total store sales

EXAMPLE:

$$\begin{array}{r} \text{Percent of total floor space given} \\ \text{Total store sales}\ \overline{)\ \text{Department sales}} \end{array}$$

INFORMATION SHEET

2. Calculate space needed by using sales-per-square-foot method

EXAMPLE:

Department	Sales per Square Foot of Selling Area Total Sales of Store		Percentage of Department Sales to Total Sales of Store
	$2-5 Million	Over $5 million	
Men's clothing	102	129	2.8
Women's dresses	73	84	8.5
Women's coats & suits	94	122	5.3
Cosmetics & drugs	149	239	2.7
Handbags & small leather goods	94	173	1.8
Hosiery	173	271	1.7
Corsets & brassieres	132	138	3.9
Neckware & accessories	96	176	2.1

Explanation:

a. Firm has expected sales volume of $2 million

b. Cosmetics and drug department sales equals 2.7% of total sales, or $54,000

c. Typical sales per square foot of selling space (cosmetics department) equals $149 per square foot

d. **362-square-feet** selling space needed for this level of productivity (departmental sales ÷ sales per square foot.)

B. Model-stock plan method

1. List all items to be carried and quantities of each, based on anticipated sales for each department

   (NOTE: Use department's merchandise plan for reference.)

2. Determine total area needed for fixtures and merchandise presentation during selling process

3. Determine space requirements for all departments at the beginning of each merchandising season

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Merchandise Plan

Six-Month Merchandise Plan

☐ Total Company

☐ Total Store ____________________ Store No. __________

☐ Department ____________________ Dept. No. __________

☐ Classification ____________________ Classif. No. __________

☐ Spring, 19	Feb.	Mar.	Apr.	May	June	July	TOTAL
☐ Fall, 19	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
Net Sales							
Last year							
Plan							
Revision							
Actual							
Beginning-of-Month Stock							**(End-of-Season Stock)**
Last year							
Plan							
Revision							
Actual							
Markdowns							
Last year							
Plan							
Revision							
Actual							
Shortages							
Last year							
Plan							
Revision							
Actual							
Employee Discounts							
Last year							
Plan							
Revision							
Actual							
Purchases (At Retail)							
Last year							
Plan							
Revision							
Actual							
Purchases (At Cost)							
Last year							
Plan							
Revision							
Actual							

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TM #1

Markup on Selling Price vs Markup on Cost

Selling Price	Cost	Initial Markup	Markup % on Selling Price	Markup % on Cost
$50	$20	$30	60%	150%
$50	$25	$25	50%	100%
$50	$30	$20	40%	66.7%
$50	$35	$15	30%	43%
$50	$40	$10	20%	25%

Effect of Discounts on Maintained Markup

Markup % Based on Retail Selling Price	Markup % Based on Cost	Effect of Discounting by: 10% Retail	10% Cost	20% Retail	20% Cost	25% Retail	25% Cost
40%	67%	33%	50%	25%	33%	20%	25%
35%	54%	28%	39%	19%	23%	13%	15%
30%	43%	22%	29%	13%	14%	7%	7%
25%	33%	17%	20%	6%	7%	—	—
24%	31.6%	16%	18%	5%	5%	Loss	Loss
20%	25%	11%	13%	—	—	"	"
19%	24%	10%	11%	Loss	Loss	"	"
15%	18%	6%	6%	"	"	"	"
10%	11%	—	—	"	"	"	"

TM #3

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MERCHANDISE CONTROL OPERATIONS
UNIT II

ASSIGNMENT SHEET #1--COMPUTE STOCK TURNOVER

It is important for every retail store to maintain adequate inventory on hand in order to meet customer demand and to stock the store. However, it is just as important that the store does not overstock. Overstocking necessitates markdowns and ties up money that could otherwise be used to purchase new merchandise. The most common method used by retail stores to assure adequate stock, without overstocking, is to compare sales figures to stock figures. An analysis of stock turnover rate tells the manager how long the merchandise is in the store before it is sold. The higher the turnover rate, the faster the merchandise is selling. Stock turnover is based on average inventory for the period. If, for example, the average inventory of an item on hand for the year was \$15,000 and sales for the year were \$22,500, the turnover rate is 1.5. This tells the manager that one and one-half times the average inventory was needed to meet sales demand for that item during the year.

In this assignment you will use stock turnover rate formulas to determine stock turnover. Use the formulas below for reference.

PART I--Stock turnover rate formulas

A. In terms of physical units

$$\frac{\text{Number of units sold}}{\text{Average inventory in units}} = \text{Stock turnover rate}$$

EXAMPLE: If 2,000 books were sold during the year and the average number of books in stock during the year was 1,000, the rate of stock turnover is 2

$$\frac{2{,}000}{1{,}000} = 2 \text{ (Stock turned twice during the year)}$$

B. On a dollar basis

$$\frac{\text{Net sales in dollars}}{\text{Average dollar value of stock}} = \text{Stock turnover rate}$$

EXAMPLE: If \$10,000 worth of books were purchased during the year and an average of \$5,000 worth of books were kept in inventory, the store has an average stock turnover of 2

$$\frac{\$10{,}000}{\$\ 5{,}000} = 2 \text{ (Stock turned twice during the year)}$$

(NOTE: Save this sheet for future reference. DO NOT turn it in to your instructor.)

ASSIGNMENT SHEET #1

NAME ______________________ SCORE ____________

PART II--Problems

A. Using the information provided, calculate stock turnover in terms of physical units.

Sales = 4,000 items
Average inventory on hand = 1,000 items

Answer ______________________

B. Calculate stock turnover on a dollar basis if net sales were $150,000 and the average dollar value of stock was $5,000.

Answer ______________________

C. Calculate stock turnover in terms of physical units if 600 units were sold and the average inventory is 50.

Answer ______________________

MERCHANDISE CONTROL OPERATIONS
UNIT II

ASSIGNMENT SHEET #2--COMPUTE STOCK-SALES RATIO

Some businesses prefer to use the stock-sales ratio system for determining planned purchases. It is used basically the same as the stock turnover rate. However, because it is recorded in fractional form, monthly variations are likely to appear more frequently than in the stock turnover system. A ratio of four to one (4:1) tells the manager that for every dollar of sales, there needs to be four dollars' worth of merchandise in inventory.

In this assignment you will use stock-sales ratio formulas to determine stock-sales ratios. Use the following formulas for reference in solving the problems.

PART I--Stock-sales ratio formulas

A. B.O.M. stock-sales ratio formula

(NOTE: B.O.M. means *beginning of month*.)

$$\frac{\text{B.O.M. stock at retail}}{\text{Sales for the month}} = \text{B.O.M. stock-sales ratio}$$

EXAMPLE: If sales for the month are $5,000 and the amount of stock at the beginning of the month is $20,000, the stock-sales ratio is 4:1 (four-to-one)

$$\frac{\$20,000}{\$\ 5,000} = \frac{4}{1} = 4:1 \text{ ratio}$$

B. E.O.M. stock-sales ratio formula

(NOTE: E.O.M. means *end of month*.)

$$\frac{\text{E.O.M. stock at retail}}{\text{Sales for the month}} = \text{E.O.M. stock-sales ratio}$$

EXAMPLE: If sales for the month are $6,000 and the amount of stock at the end of the month is $18,000, the stock-sales ratio is 3:1 (three-to-one)

$$\frac{\$18,000}{\$\ 6,000} = \frac{3}{1} = 3:1 \text{ ratio}$$

(NOTE: Save this sheet for future reference. DO NOT turn it in to your instructor.)

ASSIGNMENT SHEET #2

NAME______________________________ SCORE______________

PART II--Calculate stock-sales ratios using B.O.M. formula

A. B.O.M. stock = $50,000
Sales = $20,000

Answer ______________________________

B. B.O.M. stock = $75,000
Sales = $5,000

Answer ______________________________

C. B.O.M. stock = $24,000
Sales = $6,000

Answer ______________________________

ASSIGNMENT SHEET #2

PART III--Calculate stock-sales ratios using E.O.M. formula

A. E.O.M. stock = $192,000
Sales = $4,000

Answer ____________________

B. E.O.M. stock = $50,000
Sales = $10,000

Answer ____________________

C. E.O.M. stock = $30,000
Sales = $7,500

Answer ____________________

MERCHANDISE CONTROL OPERATIONS
UNIT II

ASSIGNMENT SHEET #3--COMPUTE OPEN-TO-BUY

Open-to-buy is the merchandising term which describes the amount of money that the buyer has to spend on merchandise at any point during the season. Open-to-buy is determined through wise planning on the part of the department manager or buyer. It is important that the buyer have money throughout the season to purchase goods for the store. Should the store overstock its inventory or otherwise tie up all capital, it would be impossible for the buyer to maintain an adequate open-to-buy. It is possible, therefore, for the store to be forced into the position where there is insufficient money to purchase the proper merchandise to maintain an adequate merchandise mix throughout the season. This could result in loss of sales and possibly customers.

In this assignment you will use the open-to-buy formula to determine open-to-buy in several situations. Use the procedure described below to calculate open-to-buy.

PART I--Open-to-buy formula

A. Calculate total stock needed during the month

EXAMPLE:	$6,000	Planned sales for the month
	+3,000	Desired stock at end of month
	$9,000	Total stock needed during the month

B. Determine current stock, allowing for delays in getting merchandise to the store

EXAMPLE:	$2,000	Merchandise in stock at present time
	+ 500	Merchandise on order
	$2,500	Current stock

C. Calculate amount of stock to be purchased

EXAMPLE:	$9,000	Total amount of stock needed
	- 2,500	Current stock
	$6,500	Amount of stock to be purchased (open-to-buy)

(NOTE: Save this sheet for future reference. DO NOT turn it in to your instructor.)

ASSIGNMENT SHEET #3

NAME ______________________________ SCORE ______________

PART II--Problems

A.

$20,000	Planned sales for month
$ 8,000	Desired stock at end of month
$12,000	Merchandise in stock at present time
$ 500	Merchandise already on order

Answer ______________________________

B.

$12,000	Planned sales for the month
$ 1,500	Stock desired at end of month
$ 4,000	Merchandise in stock at present time
$ 1,000	Merchandise already on order

Answer ______________________________

ASSIGNMENT SHEET #3

C.

$18,000	Planned sales for month
$ 6,000	Desired stock at end of month
$ 2,000	Merchandise in stock at present time
$ 250	Merchandise already on order

Answer ______________________________

MERCHANDISE CONTROL OPERATIONS
UNIT II

ASSIGNMENT SHEET #4--CALCULATE DISCOUNTS AND PAYMENTS DUE

Oftentimes, manufacturers offer discounts to their customers. Those discounts may take place in the form of trade discounts, seasonal discounts, promotional discounts, and/or cash discounts. Further savings may be available to the buyer by arranging for shipping costs to be paid by the manufacturer. It is surely advisable for businesses to take advantage of these benefits whenever possible.

In this assignment you will compute discounts and shipping costs for a variety of situations. Read each problem and answer the questions given. Use the formula sheets which follow for reference.

ASSIGNMENT SHEET #4

PART I--Discounts and payments due formulas

A. Cash discount formula

(NOTE: This is a standard discounting formula. It is also used in calculating trade discounts, seasonal discounts, and promotional discounts.)

EXAMPLE: If an invoice, dated December 1, has a net due of $1,000 and carries discount terms of 2/10, n/30, the business may pay $980 if payment is made by December 11--OR--the net amount of $1,000 must be paid no later than December 31 if the discount is not taken.

1. Determine due dates
   - a. Discount date = December 11 (December 1 + 10 days)
   - b. Final payment date = December 31 (December 1 + 30 days)
2. Calculate discounted amount due

a.

$1,000	Net invoice amount due
x .02	2% discount rate
$20.00	Discount

b.

$1,000	Net invoice amount due
- 20	Discount
$ 980	Discounted amount due

B. E.O.M. discount formula

EXAMPLE: If an invoice, dated August 15, has a net due of $100 and carries discount terms of 3/10, n/30, E.O.M., the business may pay $97 if the invoice is paid in full by September 10--OR--the business must pay $100 by September 30 if the discount is not taken.

1. Determine due dates
   - a. Discount date = September 10
     - 1) The last day of the invoice month is August 31
     - 2) September 10 (August 31 + 10 days)
   - b. Final payment date = September 30 (August 31 + 30 days)
2. Calculate discounted amount due

a.

$ 100	Net invoice amount due
.03	3% discount rate
$3.00	Discount

b.

$ 100	Net invoice amount due
- 3	Discount
$ 97	Discounted amount due

(NOTE: Save this sheet for future reference. DO NOT turn it in to your instructor.)

ASSIGNMENT SHEET #4

C. Extra dating formulas

EXAMPLE: If a $1,000 invoice is dated February 2 and carries terms of 5/10, n/30, 30X, the business may pay $950 if paid in full by February 12--OR--the business must pay $1,000 by April 3 if the discount is not taken.

1. Determine due dates
   a. Discount date = February 12 (February 2 + 10 days)
   b. Final payment date = April 3
      1) March 4 (February 2 + 30 days) (February 28 - 2 = 26 days left in February plus 4 additional days in March)
      2) April 3 (March 4 + 30 days) (March 31 - 4 = 27 days left in March plus 3 additional days in April)
2. Calculate discounted amount due

a.

$ 1000	Net invoice amount due
x .05	5% discount rate
$50.00	Discount

b.

$ 1000	Net invoice amount due
- 50	Discount
$ 950	Discounted amount due

D. R.O.G. formula

EXAMPLE: If a shipment is received on March 31 and carries a $100 invoice, dated March 20, with discount terms of 2/10, n/30, R.O.G., the business may pay $98 if the invoice is paid in full by April 10--OR--the business must pay $100 by April 30 if the discount is not taken.

1. Determine due dates
   a. Discount date = April 10 (March 31 + 10 days)
   b. Final payment date = April 30 (March 31 + 30 days)
2. Calculate discounted amount due

a.

$ 100	Net invoice amount due
x .02	2% discount rate
$2.00	Discount

b.

$ 100	Net invoice amount due
- 2	Discount
$ 98	Discounted amount due

(NOTE: Save this sheet for future reference. DO NOT turn it in to your instructor.)

ASSIGNMENT SHEET #4

E. Chain (series) discount

EXAMPLE: If a $100 invoice carries a chain discount of 10%, 5%, the amount due would be $85.00.

1. Determine due dates as discussed in previous discount formula(s)
2. Calculate discounted amount due

a.	$ 100	Invoice amount due
	x .10	First discount rate
	$10.00	First discount
b.	$100 - $10 = $90 First discounted amount	
c.	$ 90	First discounted amount
	x .05	Second discount rate
	$4.50	Second discount
d.	$90.00	First discount amount
	- 4.50	Second discount
	$85.50	Discounted amount due

(NOTE: Save this sheet for future reference. DO NOT turn it in to your instructor.)

ASSIGNMENT SHEET #4

NAME ______________________________ SCORE ______________

PART II--Problems

A. A store receives a shipment of merchandise for $300. The invoice is dated April 15 and shows the terms 3/10, n/30.

1. When must the shipment be paid for in order to be eligible for the discount?

   Answer ______________________________

2. What amount is due if the discount is taken?

   Answer ______________________________

3. What is the date for full payment?

   Answer ______________________________

ASSIGNMENT SHEET #4

B. Merchandise was shipped August 15 worth $3000 with terms 2/10, n/30, F.O.B. destination.

1. If the bill was paid on the last day the cash discount could be taken, on what date was the bill paid?

   Answer ______________________________

2. What was the amount of the payment?

   Answer ______________________________

C. The manufacturer's suggested list price on an article is $25.00. A trade discount of 35% is offered to the retailer. What is the cost per article for the retailer?

Answer ______________________________

D. Merchandise was shipped July 15 and was billed at $2500 with terms of 2/10, n/30, F.O.B. destination. The bill was paid on the last day the discount could be taken.

1. On what date was the bill paid?

   Answer ______________________________

2. What was the amount of the check?

   Answer ______________________________

ASSIGNMENT SHEET #4

E. The manufacturer's suggested list price on an article is $6.00. A trade discount of 40% is offered to the retailer. What is the cost to the retailer?

Answer ______________________________

F. A store received a shipment of merchandise for $15[illegible].00. The invoice is dated March 15 and shows the terms 3/10, n/30, E.O.M.

1. When must the shipment be paid for in order to be eligible for the discount?

   Answer ______________________________

2. What is the amount due if the discount is taken?

   Answer ______________________________

3. What is the last date for full payment?

   Answer ______________________________

G. A store receives trade discounts of 20%, 10%, and 5% on a purchase of $3,780. The invoice carries terms of 2/10, n/30 and is dated April 10. If the bill is paid April 18, how much will it be?

Answer ______________________________

ASSIGNMENT SHEET #4

H. An invoice is dated July 2 and has terms 4/10, 60X. What is the final date the cash discount may be taken?

Answer ______________________________

I. A buyer receives chain discounts of 25%, 10%, 5% on a purchase of 200 dozen Japanese lamps. If the lamps are $23.50 a dozen, how much should the buyer pay for the entire shipment?

Answer ______________________________

J. The list price of $785.00 is shown for a refrigerator. With trade discounts of 15%, 10%, 5%, how much do you pay?

Answer ______________________________

ASSIGNMENT SHEET #4

K. A wholesale jewelry company receives discounts of 10%, 5%, and 5%, while a jobber in the same area only receives 10% and 5%.

1. What is the percentage difference in cost to the jobber?

   Answer ______________________________

2. Which one would pay more for the merchandise?

   Answer ______________________________

L. An invoice for men's sweaters was dated November 16 with a billed cost of $100 and terms of 3/10, n/30.

1. What is the last date the discount may be deducted?

   Answer ______________________________

2. How much should be paid at that time?

   Answer ______________________________

M. An invoice for $200 is dated April 14 and carries terms of 5/10 R.O.G. The goods are received on April 16.

1. What is the last day the discount may be deducted?

   Answer ______________________________

2. How much should be paid at that time?

   Answer ______________________________

ASSIGNMENT SHEET #4

N. An invoice for merchandise shipped on September 16 is dated October 1 and carries terms of 3/10, n/30.

1. What is the last date a discount may be taken?

   Answer ______________________________

2. After what date will the invoice become past due?

   Answer ______________________________

O. When will payment be due on the following invoices in order to deduct a cash discount? How much should be remitted?

	Date of Invoice	Amount	Terms	Date Due to Receive Discount	Amount Due with Cash Discount
1.	6/7	$300	3/10, 90X	________	________
2.	8/18	$450	3/10, n/30 as of 10/1	________	________
3.	3/17	$725	8/10, E.O.M.	________	________
4.	11/16	$500	5/10, n/30	________	________
5.	12/27	$450	6/10, E.O.M.	________	________

MERCHANDISE CONTROL OPERATIONS
UNIT II

ASSIGNMENT SHEET #5–CALCULATE PRICES FOR SELECTED MERCHANDISE

A very important role for any department manager or buyer is to insure that each item carried within the department is properly priced for resale. When determining the retail price, it is necessary to look at such things as cost of merchandise sold, desired markup, turnover rate, and the store's competition. Merchants use basic formulas to determine retail price, markup, markdown, cost price, and percentages of markup and markdown. Formulas use basic mathematical computations: Adding, subtracting, multiplying, and dividing are all used in pricing merchandise.

In this assignment sheet you are given several problems and a formula sheet. Study the formula sheet, ask any questions that you may have, and then answer the problems.

(NOTE: The formula sheet is located on the following page.)

ASSIGNMENT SHEET #5

PART I--Formulas used in pricing merchandise

Given	To Find	Procedure
Cost price, retail price	Markup in dollars	Subtract cost from retail
Markup in dollars, retail price	Cost price	Subtract markup from retail
Markup in dollars, cost price	Retail price	Add cost and markup
Retail price, markup in dollars	Markup percentage (retail)	Divide markup by retail
Cost price, markup in dollars	Markup percentage (cost)	Divide markup by cost
Cost price, original retail selling price	Initial markup	Subtract cost price from original retail selling price
Cost price, final sales price	Maintained markup	Subtract cost price from final sales price
Retail price, markup percentage (M%)	Cost price	Multiply retail price by (100% - M%)
Cost price, markup percentage (M%)	Retail price	Divide cost by (100% - M%)
Estimated expenses, profits, price reductions, sales	Initial markup	Add expenses, profits, and price reductions; divide this figure by (Sales + Reductions)
Original retail selling price, final sales price	Markdown	Subtract final sales price from original retail price
Dollar markdown, total sales	Markdown percentage	Divide dollar markdown by total sales

(NOTE: Save this sheet for future reference. DO NOT turn it in to your instructor.)

ASSIGNMENT SHEET #5

NAME ______________________________ SCORE ______________

PART II--Problems

A. Figure retail price using the following information

1. Cost price $115.00; markup in dollars $15.00

   Answer ______________________________

2. Cost price $2.69; markup in dollars $2.00

   Answer ______________________________

3. Cost price $2.55; markup percentage 15%

   Answer ______________________________

4. Cost price $1.95; markup percentage 15%

   Answer ______________________________

B. Figure cost price using the following information

1. Retail price $7.25; markup in dollars $2.00

   Answer ______________________________

2. Retail price $15.95; markup percentage 25%

   Answer ______________________________

ASSIGNMENT SHEET #5

C. Figure markup in dollars using the following information

1. Retail price $14.95; cost price $10.74

   Answer ______________________________

2. Retail price $60.00; cost price $52.00

   Answer ______________________________

D. Figure markup as a percentage of retail price using the following information

1. Retail price $50; markup in dollars $20.00

   Answer ______________________________

2. Retail price $124.00; markup in dollars $54.00

   Answer ______________________________

E. Figure markup as a percentage of cost price using the following information

1. Cost price $25.00; markup in dollars $25.00

   Answer ______________________________

2. Cost price $1.00; markup in dollars $1.39

   Answer ______________________________

ASSIGNMENT SHEET #5

F. Figure initial markup using the following information

1. Cost price $.69; original retail selling price $1.00

   Answer ______________________________

2. Cost price $4.00; original retail selling price $6.50

   Answer ______________________________

G. Figure maintained markup using the following information

1. Cost price $7.95; final sales price $9.00

   Answer ______________________________

2. Cost price $3.25; final sales price $4.00

   Answer ______________________________

H. Figure markdown using the following information

1. Original retail selling price $9.95; final sales price $6.95

   Answer ______________________________

2. Original retail selling price $10.95; final sales price $6.95

   Answer ______________________________

ASSIGNMENT SHEET #5

I. Figure markdown percentage using the following information

1. Dollar markdown $2.00; total sales $84.00

   Answer ________________________________

2. Dollar markdown $10.00; total sales $400.00

   Answer ________________________________

J. Given the regular markup percentage and the price reduction percentage of several items, determine the correct percentage of unit increase necessary to maintain the same total markup.

(NOTE: Use the chart on the following page.)

EXAMPLE: If a unit has a regular markup of 40% and you want to reduce the price 10%, you will have to increase the volume by 33.3% to make that same gross profit.

1. If regular markup is 60% and price reduction is 25%, then unit increase will be ____________________%.
2. If regular markup is 50% and price reduction is 25%, then unit increase will be ____________________%.
3. If regular markup is 40% and price reduction is 30%, then unit increase will be ____________________%.
4. If regular markup is 45% and price reduction is 35%, then unit increase will be ____________________%.
5. If regular markup is 35% and price reduction is 15%, then unit increase will be ____________________%.

ASSIGNMENT SHEET #5

(NOTE: Use this chart to answer questions given in problem J.)

INCREASE IN SALES VOLUME NEEDED TO OFFSET PRICE REDUCTIONS

Price Reductions	Regular Markup on Selling Price of								
	25%	30%	35%	40%	45%	50%	60%	65%	75%
5%	25.0%	20.0%	16.6%	14.3%	12.5%	11.1%	9.0%	8.3%	7.1%
10%	66.7%	50.0%	40.0%	33.3%	28.6%	25.0%	20.0%	18.2%	15.3%
15%	150.0%	100.0%	75.0%	60.0%	50.0%	42.8%	33.3%	30.0%	25.0%
20%	400.0%	200.0%	133.0%	100.0%	80.0%	66.6%	50.0%	44.4%	36.3%
25%		500.0%	250.0%	166.6%	125.0%	100.0%	70.2%	62.5%	50.0%
30%			600.0%	300.0%	200.0%	150.0%	100.0%	85.7%	66.7%
35%				700.0%	350.0%	233.0%	140.0%	116.7%	87.5%
40%					800.0%	400.0%	200.0%	160.0%	114.3%
45%						900.0%	300.0%	225.0%	150.0%
50%							500.0%	333.0%	220.0%

DIRECTIONS: Read across the "Regular Markup on Selling Price of ____%" line until you find the percentage given in the problem. Read down the "Price Reductions" column until you find the percentage, also given in the problem. Once you have located both numbers, read down the "Regular Markup on Selling Price of ____%" line and across the "Price Reductions" line until the two lines merge.

EXAMPLE: Answer to example in problem J.

INCREASE IN SALES VOLUME NEEDED TO OFFSET PRICE REDUCTIONS

Price Reductions	Regular Markup on Selling Price of								
	25%	30%	35%	40%	45%	50%	60%	65%	75%
5%	25.0%	30.0%	16.6%	14.3%	12.5%	11.1%	9.0%	8.3%	7.1%
10%	~~66.7%~~	~~50.0%~~	~~40.0%~~	33.3%	28.6%	25.0%	20.0%	18.2%	15.3%
15%	150.0%	100.0%	75.0%	60.0%	50.0%	42.8%	33.3%	30.0%	25.0%

MERCHANDISE CONTROL OPERATIONS
UNIT II

ASSIGNMENT SHEET #6--DEVELOP A MERCHANDISE PLAN

NAME ______________________________ SCORE ______________

The merchandise plan is a department manager's/buyer's guide to maintaining adequate stock on hand in order to achieve planned sales. It takes a little time on the part of the department manager or buyer to develop a merchandise plan; however, the time is well spent when sales and merchandise turnover are improved as a result of planning. Following a plan assures that the department will have open-to-buy dollars available throughout the entire season. If the open-to-buy runs out during the season, the department will have no opportunity to purchase new merchandise. This situation could lead to "merchandising suicide" (death of a department because of stagnation). It is essential to any retail operation that new merchandise continue to flow throughout each merchandise season.

In this assignment, you are given a case study to read. Following the case study, you will find a Six-Month Merchandise Plan worksheet. Some of the information has already been written on the plan. It will be up to you to supply the rest of the information to complete the worksheet.

(NOTE: This assignment will take more time than others. Do not get frustrated with the worksheet. Take your time and study the examples found in the Information Sheet for reference.)

PART I--Case study

Dorian Reeder is the department manager of the housewares department. During the month of May, he scheduled time to develop a merchandise plan for the fall season, which includes the months of August through January. Mr. Reeder has researched last year's records and has begun work on the merchandise plan.

Figures for last year's sales, B.O.M. retail stock, markdowns, purchases, and markup percent (%) have been recorded on a merchandise plan worksheet. Those figures indicate that the housewares department experienced a few merchandising problems last year:

A. The stock turnover rate was a low 1.5. According to last year's plan, the department should have had a 2.0 turnover rate.

B. There was too much stock on hand at the end of last year's season.

C. Open-to-buy reached $-0- before the end of the season.

Before developing the coming season's merchandise plan, Mr. Reeder attended a staff meeting where the store manager indicated that each department should increase sales over last year's season by five percent (5%). With this in mind, and the fact that the department is a 40% (markup on cost) department which desires a 2.0 turnover rate, Mr. Reeder is ready to plan the fall season's merchandising activities.

ASSIGNMENT SHEET #6

PART II--Develop a merchandise plan

DIRECTIONS: Prepare a merchandise plan based on the case study. Use the Information Sheet for reference and write your figures on the merchandise plan worksheet provided.

(NOTE: Assume that February's B.O.M. retail stock is planned at $25,000. Although this figure will not be recorded until the spring merchandise plan, it is needed to plan January's retail purchases.)

BMO - 109-E

ASSIGNMENT SHEET #6

Six-Month Merchandise Plan

☐ Total Company
☐ Total Store
☒ Department *Housewares*
☐ Classification

Store No. *1005*
Dept. No. *46*
Classif. No.

☐ Spring, 19 ☒ Fall, 19	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.	June Dec.	July Jan.	TOTAL
Net Sales							
Last year	6,000	10,500	11,200	9,400	14,750	6,800	58,650
Plan							
Revision							
Actual							
Beginning-of-Month Stock							**(End-of-Season Stock)**
Last year	25,200	36,167	35,636	41,125	55,313	47,600	40,796
Plan							
Revision							
Actual							
Markdowns							
Last year	324	522	167	270	885	972	3140
Plan							
Revision							
Actual							
Shortages							
Last year	36	58	18	30	100	108	350
Plan							
Revision							
Actual							
Employee Discounts							
Last year	60	105	110	95	150	70	590
Plan							
Revision							
Actual							
Purchases (At Retail)							
Last year	15,250	15,900	13,150	21,450	3,450	-0-	69,200
Plan							
Revision							
Actual							
Purchases (At Cost)							
Last year	9,150	9,540	7,890	12,870	2,070	-0-	41,520
Plan							
Revision							
Actual							

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MERCHANDISE CONTROL OPERATIONS
UNIT II

ASSIGNMENT SHEET #7--CALCULATE SPACE REQUIREMENTS FOR GIVEN DEPARTMENTS

NAME ______________________________ SCORE ______________

Managers are given the responsibility of deciding where to place departments within the store. This is not an easy assignment because of the many varieties of merchandise carried in today's businesses. Many stores use the sales-per-square-foot method of calculating space requirements for their departments.

In this assignment sheet, you should assume the role of a supervisory manager who has been given the task of rearranging a department store which has a sales volume of approximately $2 million a year. Use the data provided in the chart below to calculate the space requirements for each department.

(NOTE: Approximately thirty percent [30%] of your total store area should be allotted for nonselling activities.)

Department	Sales per Square Foot of Selling Area Total Sales of Store		Percentage of Department Sales to Total Sales of Store
	$2-5 Million	Over $5 million	
Men's clothing	102	129	2.8
Women's dresses	73	84	8.5
Women's coats & suits	94	122	5.3
Cosmetics & drugs	149	239	2.7
Handbags & small leather goods	94	173	1.8
Hosiery	173	271	1.7
Corsets & brassieres	132	138	3.9
Neckware & accessories	96	176	2.1

ASSIGNMENT SHEET #7

PART I--Department calculations

EXAMPLE: **Men's clothing**--2.8% of $2 million =
0.028 × $2,000,000 = $56,000 (total department sales)
$56,000 ÷ 102 (sales per square foot) = **549 square feet**
(space required for department)

A. Space required for women's dresses ____________________

B. Space required for women's coats and suits ____________________

C. Space required for cosmetics and drugs ____________________

D. Space required for handbags and small leather goods ____________________

E. Space required for hosiery ____________________

F. Space required for corsets and brassieres ____________________

G. Space required for neckware and accessories ____________________

PART II--Other calculations

A. Total store area ____________________

B. Total nonselling area ____________________

C. Total area left for other departments and/or miscellaneous activities ____________________

MERCHANDISE CONTROL OPERATIONS
UNIT II

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

PART II

A. $\frac{4{,}000}{1{,}000} = 4$

B. $\frac{\$150{,}000}{5{,}000} = 30$

C. $\frac{600}{50} = 12$

Assignment Sheet #2

PART II

A. $\frac{\$50{,}000}{20{,}000} = \frac{5}{2} = \frac{2.5}{1} = 2.5:1$

B. $\frac{\$75{,}000}{5{,}000} = \frac{15}{1} = 15:1$

C. $\frac{\$24{,}000}{6{,}000} = \frac{4}{1} = 4:1$

PART III

A. $\frac{\$192{,}000}{4{,}000} = \frac{48}{1} = 48:1$

B. $\frac{\$50{,}000}{10{,}000} = \frac{5}{1} = 5:1$

C. $\frac{\$30{,}000}{7{,}500} = \frac{4}{1} = 4:1$

Assignment Sheet #3

PART II

A.
$$\begin{array}{r} \$20{,}000 \\ +8{,}000 \\ \hline \$28{,}000 \end{array} \qquad \begin{array}{r} \$12{,}000 \\ +\ \ 500 \\ \hline \$12{,}500 \end{array} \qquad \begin{array}{r} \$28{,}000 \\ -12{,}500 \\ \hline \$15{,}500 \end{array}$$

B.
$$\begin{array}{r} \$12{,}000 \\ +1{,}500 \\ \hline \$13{,}500 \end{array} \qquad \begin{array}{r} \$\ 4{,}000 \\ +1{,}000 \\ \hline \$\ 5{,}000 \end{array} \qquad \begin{array}{r} \$13{,}500 \\ -5{,}000 \\ \hline \$\ 8{,}500 \end{array}$$

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #3 (continued)

C.

$$\begin{array}{r} \$18{,}000 \\ +\,6{,}000 \\ \hline \$24{,}000 \end{array} \qquad \begin{array}{r} \$\,2{,}000 \\ +\quad 250 \\ \hline \$\,2{,}250 \end{array} \qquad \begin{array}{r} \$24{,}000 \\ -\,2{,}250 \\ \hline \$21{,}750 \end{array}$$

Assignment Sheet #4

PART II

A. 1. April 25 (within 10 days from the date of the invoice, April 15)

2.

$$\begin{array}{r} \$\,300 \\ \times\ .03 \\ \hline \$9.00 \end{array} \qquad \begin{array}{r} \$\,300 \\ -\quad 9 \\ \hline \$\,291 \end{array}$$

3. May 15 (within 30 days after the date of the invoice, April 15)

B. 1. August 25 (10 days after date of invoice, August 15)

2.

$$\begin{array}{r} \$\,3000 \\ \times\quad .02 \\ \hline \$60.00 \end{array} \qquad \begin{array}{r} \$3000 \\ -\quad 60 \\ \hline \$2940 \end{array}$$

C.

$$\begin{array}{r} \$25.00 \\ \times\quad .35 \\ \hline 12500 \\ 7500 \\ \hline \$8.7500 \end{array} \qquad \begin{array}{r} \$25.00 \\ -\ 8.75 \\ \hline \$16.25 \end{array}$$

D. 1. July 25 (10 days after date of invoice, July 15)

2.

$$\begin{array}{r} \$\,2500 \\ .02 \\ \hline \$50.00 \end{array} \qquad \begin{array}{r} \$2500 \\ -\quad 50 \\ \hline \$2450 \end{array}$$

E.

$$\begin{array}{r} \$\ 6.00 \\ \times\quad .40 \\ \hline \$2.4000 \end{array} \qquad \begin{array}{r} \$\,6.00 \\ -\,2.40 \\ \hline \$\,3.60 \end{array}$$

F. 1. April 10 (within 10 days after end of month of date of invoice, March 15)

2.

$$\begin{array}{r} \$\,150 \\ \times\ .03 \\ \hline \$4.50 \end{array} \qquad \begin{array}{r} \$150.00 \\ -\quad 4.50 \\ \hline \$145.50 \end{array}$$

3. April 30 (within 30 days after end of month of date of invoice, March 15)

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #4 (continued)

G. $2533.81

$$\begin{array}{r} \$\ 3780 \\ \times\ \ .20 \\ \hline \$756.00 \end{array} \quad \begin{array}{r} \$\,3780 \\ -\ \ 756 \\ \hline \$\,3024 \end{array} \quad \begin{array}{r} \$\ 3024 \\ \times\ \ .10 \\ \hline \$302.40 \end{array} \quad \begin{array}{r} \$3024.00 \\ -\ 302.40 \\ \hline \$2721.60 \end{array}$$

$$\begin{array}{r} \$\,2721.60 \\ \times\ \ \ .05 \\ \hline \$136.0800 \end{array} \quad \begin{array}{r} \$2721.60 \\ -\ 136.08 \\ \hline \$2585.52 \end{array} \quad \begin{array}{r} \$2585.52 \\ \times\ \ \ .02 \\ \hline \$51.7104 \end{array} \quad \begin{array}{r} \$2585.52 \\ -\ \ 51.71 \\ \hline \$2533.81 \end{array}$$

H. September 10 (70 days after date of invoice)

I. $3013.87

$$\begin{array}{r} \$\ 23.50 \\ \times\ \ 200 \\ \hline \$4700.00 \end{array} \quad \begin{array}{r} \$\ \ 4700 \\ \times\ \ \ .25 \\ \hline 23500 \\ 9400\ \\ \hline \$1175.00 \end{array} \quad \begin{array}{r} \$\,4700 \\ -\,1175 \\ \hline \$\,3525 \end{array} \quad \begin{array}{r} \$\ 3525 \\ \times\ \ .10 \\ \hline \$352.50 \end{array}$$

$$\begin{array}{r} \$\,3525.00 \\ -\ 352.50 \\ \hline \$\,3172.50 \end{array} \quad \begin{array}{r} \$\,3172.50 \\ \times\ \ \ .05 \\ \hline \$158.6250 \end{array} \quad \begin{array}{r} \$\,3172.50 \\ -\ 158.63 \\ \hline \$\,3013.87 \end{array}$$

J. $570.49

$$\begin{array}{r} \$\ \ 785 \\ \times\ \ .15 \\ \hline 3925 \\ 785\ \\ \hline \$117.75 \end{array} \quad \begin{array}{r} \$\,785.00 \\ -\,117.75 \\ \hline \$\,667.25 \end{array} \quad \begin{array}{r} \$\ 667.25 \\ \times\ \ \ .10 \\ \hline \$\,66.7250 \end{array} \quad \begin{array}{r} \$\,667.25 \\ -\ \ 66.73 \\ \hline \$\,600.52 \end{array}$$

$$\begin{array}{r} \$\,600.52 \\ \times\ \ \ .05 \\ \hline \$30.0260 \end{array} \quad \begin{array}{r} \$\,600.52 \\ -\ \ 30.03 \\ \hline \$\,570.49 \end{array}$$

K. 1. 5% difference in cost

10% + 5% + 5% = 20% discount for jewelry company
10% + 5% = 15% discount for jobber

$$\begin{array}{r} 20\% \\ -15\% \\ \hline 5\% \end{array}$$

2. Jobber would pay more because the discounts are less than for the jewelry company

L. 1. November 26 (10 days from date of invoice, November 16)

2.
$$\begin{array}{r} \$\ 100 \\ \times\ .03 \\ \hline \$3.00 \end{array} \quad \begin{array}{r} \$100.00 \\ -\ \ 3.00 \\ \hline \$\ 97.00 \end{array}$$

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #4 (continued)

M. 1. April 24 (10 days after receipt of goods)

2. $$\begin{array}{r} \$\ 200 \\ \times\ .05 \\ \hline \$10.00 \end{array} \qquad \begin{array}{r} \$\ 200 \\ -\ 10 \\ \hline \$\ 190 \end{array}$$

N. 1. October 11

2. October 31

O.	Date Due to Receive Discount	Amount Due with Cash Discount
1.	9/15	$291.00
2.	10/11	$436.50
3.	4/10	$667.00
4.	11/26	$475.00
5.	1/10	$423.00

Assignment Sheet #5

PART II

A. 1. $130.00

2. $4.69

3. $3.00

4. $2.29

B. 1. $5.25

2. $11.96

C. 1. $4.21

2. $8.00

D. 1. 40%

2. 43.5%

E. 1. 100%

2. 139%

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #5 (continued)

F. 1. \$.31
 2. \$2.50

G. 1. \$1.05
 2. \$.75

H. 1. \$3.00
 2. \$4.00

I. 1. 2.4%
 2. 2.5%

J. 1. 70.2%
 2. 100%
 3. 300%
 4. 350%
 5. 75%

Assignment Sheet #6--Evaluated to the satisfaction of the instructor

(NOTE: Because the merchandise plan is an estimation of next season's merchandising activities, answers may vary from student to student. Although a suggested answer to Assignment Sheet #6 is provided on the next page, do not expect each student to have this exact plan. In fact, it would be surprising if any student presented these exact figures. Use it only as a guide.)

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #6 (continued)

Six-Month Merchandise Plan

☐ Total Company
☐ Total Store ____________ Store No. 1005
☒ Department Housewares Dept. No. 46
☐ Classification ____________ Classif. No. ________

☐ Spring, 19	Feb.	Mar.	Apr.	May	June	July	TOTAL	
☒ Fall, 19	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.		
Net Sales								
Last year	6,000	10,500	11,200	9,400	14,750	6,800	58,650	
Plan	6,300	11,025	11,760	9,870	15,488	7,140	61,583	= 5% increase in sales
Revision								
Actual								
Beginning-of-Month Stock							(End-of-Season Stock)	
Last year	25,200	36,167	35,636	41,125	55,313	47,600	40,796	AVE = 40,174
Plan	24,200	28,768	29,252	33,512	38,720	29,130	25,000	AVE = 30,597
Revision								
Actual								
Markdowns								
Last year	324	522	167	270	885	972	3140	
Plan	340	545	180	285	930	1,000	3280	
Revision								
Actual								
Shortages								
Last year	36	58	18	30	100	108	350	
Plan	35	60	20	30	105	110	360	
Revision								
Actual								
Employee Discounts								
Last year	60	105	110	95	150	70	590	
Plan	60	110	115	100	155	75	615	
Revision								
Actual								
Purchases (At Retail)								
Last year	15,250	15,900	13,150	21,450	3,450	-0-	69,200	
Plan	10,900	11,700	16,000	15,000	6,000	3,000	62,600	
Revision								
Actual								
Purchases (At Cost)								
Last year	9,150	9,540	7890	12,870	2,070	-0-	41,520	
Plan	6,540	7,020	9,600	9,000	3,600	1800	37,560	
Revision								
Actual								

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #7

PART I

A. Women's dresses 2329 square feet
8.5 x $2,000,000 = $170,000 170,000÷73 = 2328.7 or 2329 square feet

B. Women's suits and coats 1128 square feet
5.3 x $2,000,000 = $106,000 106,000÷94 = 1127.6 or 1128 square feet

C. Cosmetics and drugs 362 square feet
2.7 x $2,000,000 = $54,000 54,000÷149 = 362.4 or 362 square feet

D. Handbags and small leather goods 383 square feet
1.8 x $2,000,000 = $36,000 36,000÷94 = 382.9 or 383 square feet

E. Hosiery 197 square feet
17 x $2,000,000 = $34,000 34,000÷173 = 196.5 or 197 square feet

F. Corsets and brassieres 591 square feet
3.9 x $2,000,000 = $78,000 78,000÷132 = 590.9 or 591 square feet

G. Neckware and accessories 438 square feet
2.1 x $2,000,000 = $42,000 42,000÷96 = 437.5 or 438 square feet

PART II

A. Total store area 20,753 square feet

5,977 = Total square feet of space for departments listed above
28.8% = Total percentage of selling space occupied by above departments
5977 = 28.8% of X
5977 = 28.8% of 20,753 square feet

B. Nonselling area 6,226 square feet
30% x 20,753 = 6,226 square feet

C. Area left for other departments or miscellaneous activities 8,550 square feet
41.2% of 20,753 = 8550.2 or 8550 square feet

MERCHANDISE CONTROL OPERATIONS
UNIT II

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with merchandise control operations to their correct definitions. Write the correct numbers in the blanks. Terms and definitions are continued on the next page.

_____a. Amount added to the cost of goods sold to arrive at the selling price

_____b. Time limits on payment of purchases

_____c. List of merchandise that is to be kept in stock at all times

_____d. Retail price paid by customers as suggested in manufacturers' catalogs

_____e. Amount paid for merchandise, including all shipping costs

_____f. In-depth merchandising program in which sales projections are supported with sufficient stock to achieve planned sales

_____g. Reduction of the selling price

_____h. Pricing merchandise in groups; gives appearance of "getting more for less"

_____i. Amount of money left during a given period to purchase merchandise without going over planned inventory

_____j. Goods that are bought and sold in a business

_____k. Difference between cost of goods sold and net sales

_____l. Process of selling merchandise which has been purchased from vendors to sell to customers

_____m. Relationship in amount or size between two or more things

_____n. Process of establishing a single selling price for a variety of prices within a narrow range

1. Basic stock list
2. Cost of goods sold
3. Dating
4. List price
5. Maintained markup
6. Markdown
7. Markup
8. Merchandise
9. Merchandise plan
10. Multiple pricing
11. Open-to-buy
12. Price lining
13. Ratio
14. Resale

TEST

______o. Price per item

______p. Number of times during a given period that the average amount of stock on hand is sold and replaced

______q. Relationship of retail stock to the sales for a given month

______r. General tendency or direction of activity

______s. Retail price paid by customer

15. Selling price
16. Stock-sales ratio
17. Trend
18. Turnover
19. Unit price

2. Arrange in order steps for effective merchandise control. Write a "1" before the first step, a "2" before the second step, and so on.

______a. Price merchandise

______b. Develop a merchandise plan

______c. Order merchandise

______d. Take measures to insure inventory control

3. Discuss considerations for developing a merchandise plan.

a. Department manager or buyer develops the plan--______________________

b. Division or store manager approve[illegible]he plan--______________________

TEST

4. Describe procedures used in developing a merchandise plan.

   a. Sales section--

   b. Beginning-of-month stock section--

   c. Purchases (at retail) section--

   d. Purchases (at cost) section--

TEST

e. Markdowns section, shortages, and employee discounts--______________________

____

____

____

____

5. Select from the following list guidelines for ordering appropriate merchandise for resale. Write an "X" in the blank before each correct answer.

______a. Develop a merchandise plan each month for the department

______b. Purchase merchandise from a different vendor each season

______c. Rearrange stock and sales figures as necessary to insure that an adequate open-to-buy is maintained

______d. Order merchandise that will allow for appropriate retail selling prices

______e. Review merchandise plan for necessary purchases

______f. Determine items to be purchased, based upon planned merchandise mix

6. Match terms associated with discounts and shipping terms to their correct definitions. Write the correct numbers in the blanks. Terms and definitions are continued on the next page.

______a. Special discounts offered those who place orders well in advance of the normal buying period

______b. Special deduction from the list price stated in catalog

______c. Deduction given if full payment is made early

______d. Allowance for advertising the merchandise

______e. Merchandise remains the property of the seller and is paid for after it has been sold; any unsold merchandise may be returned to original seller if it is in good condition

______f. Two or more discounts deducted from the list price

______g. Payment of merchandise computed from a date after the merchandise is shipped

1. Cash discount
2. Promotional discount
3. Seasonal discounts
4. Trade discount
5. Advance dating (postdating)
6. Chain (series) discount
7. Consignment

TEST

______h. Additional days, designated by an "X," given to the buyer before payment is due

______i. Discount period not beginning until the day the merchandise is received by the store, rather than beginning on the invoice date

______j. Discount period begins at the end of the month in which the invoice is dated

______k. Point in the transfer of merchandise where the person buying the merchandise begins paying the shipping costs

8. E.O.M. (end of month)
9. Extra dating
10. F.O.B. (free on board)
11. R.O.G. (receipt of goods)

7. Arrange in order the steps to take when preparing merchandise for resale. Write a "1" before the first step, a "2" before the second step, and so on.

______a. Calculate the selling price for each item

______b. Check all shipments against purchase orders or invoices to insure accuracy in record keeping and billing

______c. Receive all merchandise at a specified receiving point

______d. Check all merchandise for damage

8. Discuss methods of determining departmental space requirements. Write your answer on the lines provided.

a. Space-productivity ratio methods--______________________________

b. Model-stock plan method--______________________________

TEST

(NOTE: Test questions 9-15 are the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

9. Compute stock turnover.

10. Compute stock-sales ratio.

11. Compute open-to-buy.

12. Calculate discounts and payments due.

13. Calculate prices for selected merchandise.

14. Develop a merchandise plan.

15. Calculate space requirements for given departments.

MERCHANDISE CONTROL OPERATIONS
UNIT II

ANSWERS TO TEST

1. a. 7
   b. 3
   c. 1
   d. 4
   e. 2
   f. 9
   g. 6
   h. 10
   i. 11
   j. 8
   k. 5
   l. 14
   m. 13
   n. 12
   o. 19
   p. 18
   q. 16
   r. 17
   s. 15

2. a. 3
   b. 1
   c. 2
   d. 4

3. Discussion should include

   a. Department manager or buyer develops the plan

      1) Consider last year's season's sales figures as a guide to improvement and success for this year's season

      2) Consider product lines, planned stock-sales ratio, turnover, initial markup, markdowns, and purchases

   b. Division or store manager approves the plan

      1) Consider comparative store operations

      2) Consider local economic conditions

4. Description should include

   a. Sales section

      1) Record last year's sales by month

      2) Record planned sales by month

ANSWERS TO TEST

3) Leave "revision" line blank until actual numbers are available during the season when the plan should be reviewed and adjusted on a weekly basis

4) Post "actual" sales at the end of each month as figures are available during the planned season

b. Beginning-of-month stock section

1) Record last year's stock figures

2) Determine planned stock

a) Use last year's figures as a guide, not as law

b) Consider basic stock requirements

c) Consider promotional merchandise requirements

d) Consider desired stock turnover rate or stock-sales ratio

c. Purchase (at retail) section

1) Calculate total stock needed during the month

2) Determine current stock, allowing for delays in getting merchandise to the store

3) Calculate amount of stock to be purchased

d. Purchases (at cost) section

1) Use standard markup for department as designated by management

2) Subtract standard markup percent from 100 percent

3) Multiply cost-conversion percent times purchases at retail

e. Markdowns section, shortages, and employee discounts

1) Enter last year's actual figures

2) Determine reasonable percentages

3) Calculate markdowns, shortages, and employee discounts

5. d, e, f

6. a. 3
b. 4
c. 1
d. 2
e. 7
f. 6
g. 5
h. 9
i. 11
j. 8
k. 10

ANSWERS TO TEST

7. a. 4

   b. 3

   c. 1

   d. 2

8. Discussion should include

   a. Space-productivity ratio methods

      1) Calculate space needed by dividing department sales by total store sales

      2) Calculate space needed by using sales-per-square-foot method

   b. Model-stock plan method

      1) List all items to be carried and quantities of each, based on anticipated sales for each department

      2) Determine total area needed for fixtures and merchandise presentation during selling process

      3) Determine space requirements for all departments at the beginning of each merchandising season

9. Evaluated to the satisfaction of the instructor

10. Evaluated to the satisfaction of the instructor

11. Evaluated to the satisfaction of the instructor

12. Evaluated to the satisfaction of the instructor

13. Evaluated to the satisfaction of the instructor

14. Evaluated to the satisfaction of the instructor

15. Evaluated to the satisfaction of the instructor

INVENTORY CONTROL
UNIT III

UNIT OBJECTIVE

After completing this unit, the student should be able to control inventory systems in a retail store. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with inventory control to their correct definitions.
2. Select from a list reasons for establishing inventory control policies.
3. Discuss ways to control inventory levels.
4. Discuss functions of inventory management.
5. Distinguish between characteristics of types of inventory systems.
6. Match common methods of inventory valuation to the correct information.
7. Select from a list guidelines for taking physical inventory counts.
8. Arrange in order steps in organizing a physical inventory.
9. Arrange in order steps for recording information on an inventory form.
10. State the steps in calculating average inventory.
11. Discuss the procedure for establishing inventory order quantities.
12. Complete statements associated with common methods of rotating inventory.
13. State ways to reduce excessive inventories.
14. Read cost codes.
15. Compute inventory.
16. Calculate inventory extensions.
17. Compute average inventory.
18. Calculate order quantity.

INVENTORY CONTROL
UNIT III

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order materials planned to supplement unit--Film--*Knowing Where You Stand*. Color, 15 minutes, Small Business Administration. Available from Small Business Administration, 200 Northwest Fifth Street, Oklahoma City, Oklahoma 73102.

(NOTE: This film discusses various inventory control systems used in five different types of small retail businesses. It tells how effective inventory management will lead to organized procedures for ordering, stocking, displaying, and selling merchandise.)

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

G. Arrange with training sponsors to allow students to take supervisory roles in planning a physical inventory within their training stations.

H. Stress the importance of maintaining accurate inventory records.

I. Have students read articles and report on technological advances in inventory control, including computer systems used to maintain inventory records and to reorder basic stock items.

J. Give test.

K. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency masters

1. TM #1--Cost Codes
2. TM #2--Perpetual Inventory Card

SUGGESTED ACTIVITIES

3. TM #3--Electronic Inventory System
4. TM #4--Computerized Inventory Report

E. Assignment sheets

1. Assignment Sheet #1--Read Cost Codes
2. Assignment Sheet #2--Compute Inventory
3. Assignment Sheet #3--Calculate Inventory Extensions
4. Assignment Sheet #4--Compute Average Inventory
5. Assignment Sheet #5--Calculate Order Quantity

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Hailes, William D. Jr., and Raymond T. Hubbard. *Small Business Management.* Albany, New York: Delmar Publishers, 1977.

C. U.S. Small Business Administration. *Business Basics: Inventory Management-Wholesale/Retail.* Washington, D.C.: U.S. Government Printing Office, 1979.

INVENTORY CONTROL
UNIT III

INFORMATION SHEET

I. Terms and definitions (Transparency #1)

A. Book inventory--Record kept of each item showing the amount of merchandise put in stock, withdrawn, and on hand at any particular time without the necessity of taking a physical count

(NOTE: This is also called perpetual inventory.)

B. Cost code--Manner in which cost of merchandise is placed on the price tag for inventory and other planning and control functions (Transparency #1)

C. Lead time--Length of time between order placement and receipt of goods

D. Order ceiling--Maximum amount of any item that should be ordered from the vendor(s)

FORMULA: Order point + expected sales during order interval

E. Order interval--Usual time between orders

F. Order point--Desired inventory level; whenever stock of an item falls below this point, it should be re-ordered

FORMULA: Lead time + basic stock + safety stock

G. Order quantity--Amount that should be ordered at any given time

FORMULA: Order ceiling - stock on hand

H. Physical inventory--Actual count of goods in stock

I. Safety stock--Merchandise stocked as protection against delivery delays, unexpected large orders, strikes, or other unforeseen events

(NOTE: This is also called minimum stock.)

J. Stock count--Counting items before re-ordering

(NOTE: Stock count is also used before any special promotion is run on an item.)

K. Stockout--Point at which the inventory of an item is depleted

L. Stock rotation--System of moving stock in and out of the store

INFORMATION SHEET

II. Reasons for establishing inventory control policies

  A. Inventory is the largest asset for many retail businesses

  B. Inventory control may eliminate problems associated with capital shortages

  C. Inventory control may provide capital to permit expansion of operations

III. Ways to control inventory levels

  A. Invest in inventory according to a sound merchandise plan

  (NOTE: Planning will help avoid tying up excessive capital, using excessive space for storage, and borrowing money unnecessarily.)

  B. Maintain accurate, up-to-date records to help identify and prevent shortages

  C. Use records as a data base for decision-making

  D. Take prompt action to correct inventory imbalances

IV. Functions of inventory management

  A. Purchase the proper assortment of goods in quantities that will maintain inventory levels consistent with customer demand

  B. Provide safety stocks to prevent stockouts caused by unexpected demand or delays in shipments

  C. Maintain current and correct records

  D. Reduce excessive inventories promptly so that capital created may be invested in merchandise with greater market potential

V. Characteristics of types of inventory systems (Transparencies #2, #3, and #4)

  A. Manual inventory systems

    1. Minimum system for inventory control

    2. Inventory control cards are generally maintained as data base (Transparency #2)

    3. Separate record is maintained for each item in inventory

    EXAMPLE: Inventory control cards

INFORMATION SHEET

B. Electronic inventory systems (Transparencies #3 and #4)

(NOTE: Hand-held mini-computer systems make it possible to reorder merchandise much faster than manual systems; scanner systems greatly speed up the checkout process and allow the flexibility of having perpetual, or constant, inventory record keeping.)

1. Computer system may be located within the business or may be a leased service
2. Generally used when a large number of items is maintained in inventory

VI. Common methods of inventory valuation

A. Cost method

EXAMPLE:	Beginning inventory	$15,000	
	+ Purchases (at cost)	+10,000	
	Total merchandise available for sale	$25,000	
	- Sales (at cost)	-18,000	
		$ 7,000	(Ending inventory at cost)

1. Inventory value given to each item based on cost price
2. Most non-retailing businesses use this method

B. Retail method

EXAMPLE:	Beginning inventory	$21,000	
	+ Purchases (retail)	+14,000	
	Total merchandise available for sale	$35,000	
	- Sales (at retail)	- 25,200	
		$ 9,800	(Ending inventory at retail)

1. Inventory value given to each item based on retail selling price
2. Most retail businesses use this method

(NOTE: Retail figures are converted to cost figures for accounting purposes according to the procedure in Objective IX, B.)

VII. Guidelines for taking physical inventory counts

A. Physical inventory must be taken at least once each year

(NOTE: Most retail businesses take physical inventory counts twice each year; in January and again in July.)

INFORMATION SHEET

B. Records must be adjusted to reflect any difference between book inventory and actual count

(NOTE: Whenever physical inventory is less than book inventory, a *shortage* has occurred. *Overage,* which is usually caused by clerical error, occurs when book inventory is less than physical inventory.)

C. Management should check for reasons behind inventory shortages and take corrective action

EXAMPLES: Shoplifting, pilferage, faulty receiving procedures, carelessness in billing customers, deficient return policies, merchandise damage

VIII. Steps in organizing a physical inventory (Assignment Sheets #1 and #2)

A. Form teams consisting of a checker and a caller

B. Divide the store/department according to its layout and/or product lines

C. Group merchandise according to price, type, and style

D. Have the caller read out information from the price tags to the checker (Assignment Sheet #1)

E. Have the checker record information on inventory forms (Assignment Sheet #2)

F. Have caller look occasionally to see that the checker is recording information accurately

G. Have team partners trade positions as checker and caller occasionally to avoid boredom

IX. Steps for recording information on an inventory form (Assignment Sheets #2 and #3)

A. Retail price method

EXAMPLE:
20 items selling for $2.00 each = $ 40.00
50 items selling for $5.00 each = 250.00
40 items selling for $1.00 each = 40.00
$330.00 (Inventory at retail)

$ 330.00 (Inventory at retail)
x .25 (25% markup)
165000
66000
$82.50 (Total markup)

$330.00 (Inventory at retail)
- 82.50 (Total markup)
$247.50 (Total inventory at cost)

INFORMATION SHEET

1. Record the retail prices of merchandise

2. Multiply the retail price of each item in stock by the number of articles on hand at the time of inventory count

3. Add total retail value for each item to arrive at total inventory at retail

4. Multiply total inventory at retail by the markup percentage to arrive at the total markup

5. Subtract the total markup from total inventory at retail to arrive at the total inventory at cost

B. Cost code method

EXAMPLE:	20 items costing $2.00 each	=	$ 40.00
	20 items costing $5.00 each	=	100.00
	300 items costing $1.00 each	=	300.00
			$440.00 (Inventory at cost)

1. Record the costs of merchandise taken from cost codes on price tags

2. Multiply the cost of each item in stock by the number of articles on hand at the time of inventory count

3. Add total cost for each item to arrive at the total inventory at cost

X. Steps in calculating average inventory (Assignment Sheet #4)

A. Add the opening inventories for each month of the period to the closing inventory for the period

(NOTE: This may be done by using retail value or actual number of units.)

EXAMPLE:	January 1	$ 2,198
	February 1	2,300
	March 1	2,497
	April 1	2,500
	May 1	2,379
	June 1	2,312
	July 1	2,598
	August 1	2,491
	September 1	2,333
	October 1	2,312
	November 1	2,564
	December 1	3,241
	December 31	1,986
		$31,711 (Total inventory for period)

INFORMATION SHEET

B. Divide the total inventory for the period by the number of inventories counted

EXAMPLE: $\frac{\$31,711}{13} = \$2,439.31$ (Average inventory for period)

XI. Procedure for establishing inventory order quantities (Assignment Sheet #5)

A. Determine order point

EXAMPLE: Assume the store desires to maintain a basic stock of widgets equal to two weeks' sales and a safety stock of four weeks' sales. Lead time for order placement and delivery is three weeks. Average weekly sales are four widgets.

Lead time	3 weeks	
+ Safety stock	+ 4 weeks	
+ Basic stock	+ 2 weeks	
	9 weeks	(Order point, time)
x Average sales	x 4	units
	36	widgets (Order point, units)

B. Determine order ceiling

EXAMPLE: Assume orders are placed every five weeks

9 weeks	(Order point, time)
+ 5 weeks	(Order interval)
14 weeks	(Order ceiling, time)
x 4 units	(Average weekly sales)
56 units	(Order ceiling, units)

C. Determine order quantity

EXAMPLE: Assume that there are 32 widgets in stock on hand and that 15 widgets are on order

Order ceiling, units	56	
- Stock on hand	- 32	
- Stock on order	- 15	
	9	(Order quantity)

INFORMATION SHEET

XII. Common methods of rotating inventory

(NOTE: These systems have an influence on stocking procedures. The items to be sold first would be moved to the front of shelves and to the top of stacks.)

A. FIFO (first-in-first-out)--First items placed in stock are the first ones taken out

(NOTE: This is the most common method.)

B. LIFO (last-in-first-out)--Newest items placed in stock are the first ones taken out

XIII. Ways to reduce excessive inventories

(NOTE: Overstocked items should be reduced as quickly as possible in order to free capital for purchase of more appropriate merchandise.)

A. Sell overstocked merchandise to customers at reduced prices

B. Check to see if there is a wholesale market available which will purchase overstocked items

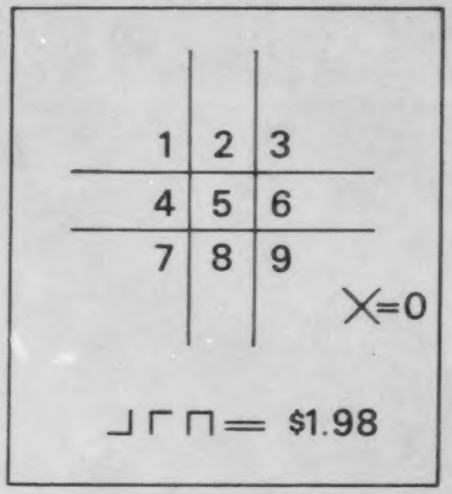
C. Sell overstocked items to "bargain basements" or warehouse outlets

D. Arrange to sell overstocked items to a competitor at wholesale prices, or below

Cost Codes

123456	7890
SPRING	**LAMB**

SMA = $1.98


1
2
3
4
5
6
7
8
9
X=0
┘┌⊓ = $1.98

1234	567890
MAKE	**PROFIT**

MIF = $1.98

636

637

TM #1

BMO - 143-E

Perpetual Inventory Card

PERPETUAL INVENTORY CARD

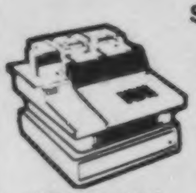
Item: Coveralls #292

Date	Pur. Req. or Stock Req. No.	Put in Stock	Withdrawn	Balance
4/4/--	325	600		600
4/10/--	1271		100	500
4/11/--	612		200	300
4/14/--	7700	1,000		1,300
5/10/--	033		350	950

BMO - 147-E

Electronic Inventory System

STORE 1

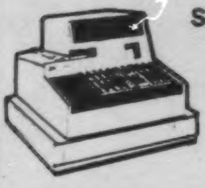


POS Terminal

POS Data Capture

- Sales
- Returns
- POS Markdowns
- Charge Payments
- Discounts

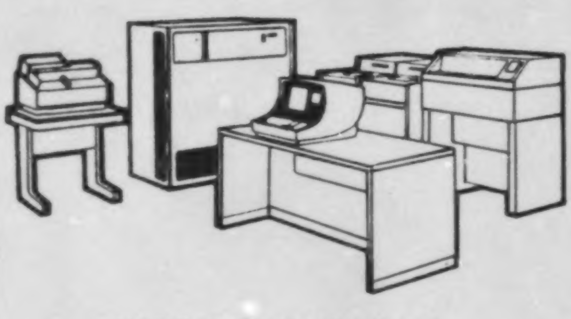
STORE 2



POS Terminal

POS Data Capture

- Sales
- Returns
- POS Markdowns
- Charge Payments
- Discounts



NCR Data Processing Center

System Reports

Sales and Inventory

Sales Analysis
Sales Tax, Non-Merchandise
Salesperson Productivity
Retail Inventory Management
Merchandise Stock Ledger
Open Order Summary
Physical Inventory

Unit Tracking

Unit Tracking
Color and Size
Price Variance

Accounts Receivable

Statement (Bills)
Authorization
Aged Trial Balance
Selective Account
Collection Report
Account Activity
Account Activity Summary
Maintenance Update and Recap

Accounts Payable

Voucher Register
Check Register
Checks with Advice
Outstanding Checks
Open Payables
Aging Analysis

Financial Reports

General Journal
Income Statement
Balance Sheet
Trial Balance

OFFICE

CRT Display Terminal

Desk Top Line Printer

CRT Screen or Printed Reports

Sales and Inventory

- Sales/Returns
- Orders/Receipts
- Markdowns/Mark-up
- Transfers
- File Maintenance
- Daily Sales
- SKU Inventory
- Salesperson Totals
- Department Sales
- Hot Style Items Status
- Slow Style Items Status

Accounts Payable

- Check Inquiry
- Payables Inquiry
- Vendor Inquiry
- File Maintenance

Accounts Receivable

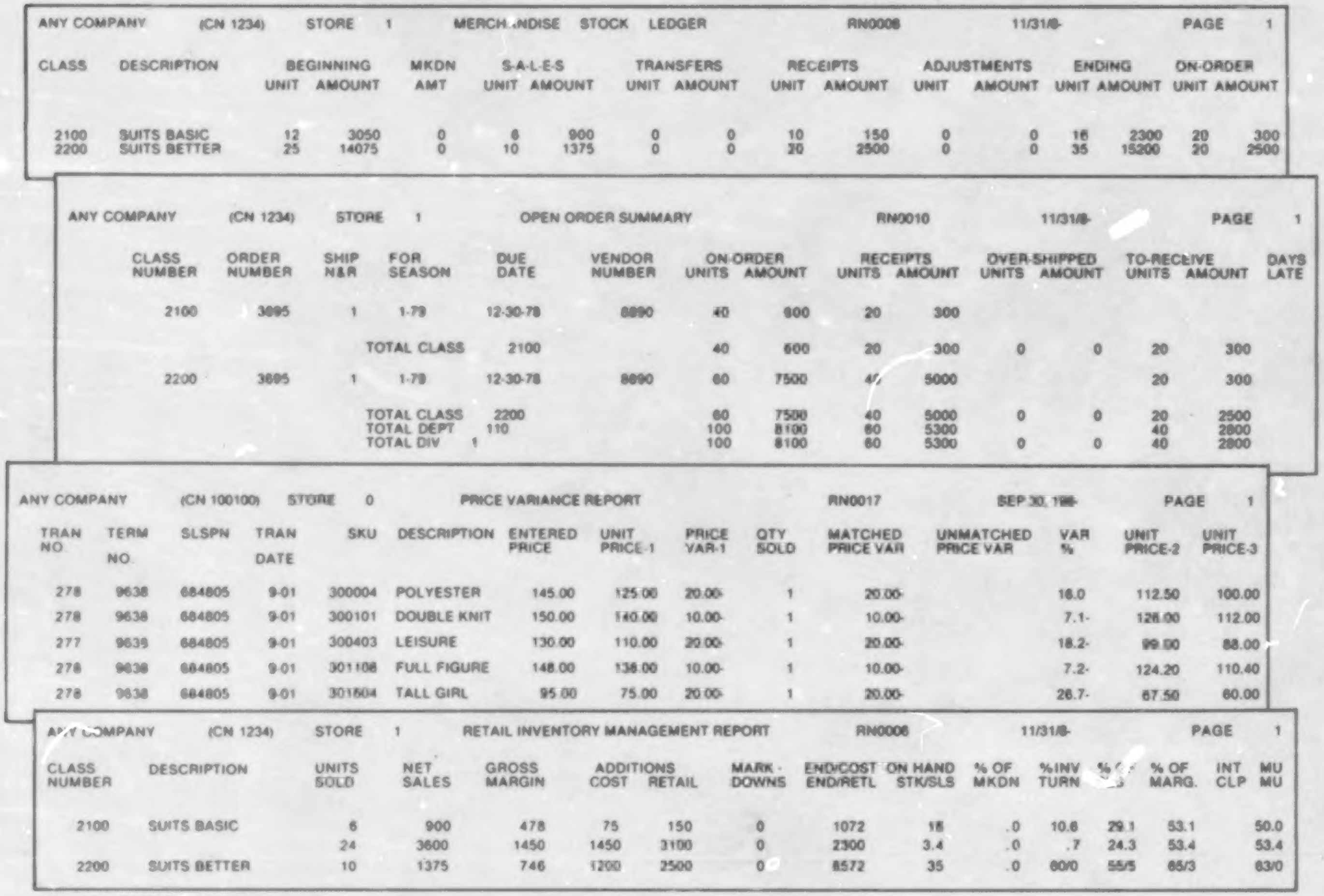
- Charge Sales
- Charge Payments
- File Maintenance
- General Ledger
- Debits and Credits

Courtesy of NCR Corporation

640

TM #3

Computerized Inventory Report



```
ANY COMPANY     (CN 1234)    STORE   1      MERCHANDISE  STOCK  LEDGER            RN0008          11/31/8-             PAGE    1

CLASS   DESCRIPTION        BEGINNING     MKDN      S-A-L-E-S        TRANSFERS          RECEIPTS         ADJUSTMENTS       ENDING        ON-ORDER
                         UNIT  AMOUNT     AMT     UNIT  AMOUNT    UNIT  AMOUNT      UNIT  AMOUNT      UNIT   AMOUNT   UNIT AMOUNT  UNIT AMOUNT

 2100   SUITS BASIC       12     3050      0        6     900       0       0        10     150        0        0     16    2300    20    300
 2200   SUITS BETTER      25    14075      0       10    1375       0       0        20    2500        0        0     35   15200    20   2500
```

```
ANY COMPANY     (CN 1234)    STORE   1          OPEN ORDER SUMMARY              RN0010          11/31/8-              PAGE    1

        CLASS    ORDER    SHIP   FOR       DUE        VENDOR      ON-ORDER         RECEIPTS       OVER-SHIPPED     TO-RECEIVE     DAYS
        NUMBER   NUMBER   N&R    SEASON    DATE       NUMBER    UNITS  AMOUNT    UNITS  AMOUNT   UNITS  AMOUNT   UNITS  AMOUNT    LATE

          2100     3695    1      1-79     12-30-78     8890      40     600       20     300

                               TOTAL CLASS   2100                 40     600       20     300       0       0       20     300

          2200     3695    1      1-79     12-30-78     8890      60    7500       40    5000                       20     300

                               TOTAL CLASS   2200                 60    7500       40    5000       0       0       20    2500
                               TOTAL DEPT  110                   100    8100       60    5300                       40    2800
                               TOTAL DIV    1                    100    8100       60    5300       0       0       40    2800
```

```
ANY COMPANY     (CN 100100)   STORE   0         PRICE VARIANCE REPORT               RN0017          SEP 30, 19--        PAGE    1

TRAN   TERM    SLSPN    TRAN      SKU   DESCRIPTION  ENTERED    UNIT      PRICE    QTY    MATCHED     UNMATCHED    VAR    UNIT      UNIT
NO                                                   PRICE      PRICE-1   VAR-1    SOLD   PRICE VAR   PRICE VAR    %      PRICE-2   PRICE-3
       NO.              DATE

 278   9638   684805    9-01   300004   POLYESTER     145.00    125.00    20.00-     1      20.00-                  16.0    112.50    100.00
 278   9638   684805    9-01   300101   DOUBLE KNIT   150.00    140.00    10.00-     1      10.00-                   7.1-   126.00    112.00
 277   9639   684805    9-01   300403   LEISURE       130.00    110.00    20.00-     1      20.00-                  18.2-    99.00     88.00
 278   9638   684805    9-01   301108   FULL FIGURE   148.00    138.00    10.00-     1      10.00-                   7.2-   124.20    110.40
 278   9638   684805    9-01   301604   TALL GIRL      95.00     75.00    20.00-     1      20.00-                  26.7-    67.50     60.00
```

```
ANY COMPANY     (CN 1234)    STORE   1     RETAIL INVENTORY MANAGEMENT REPORT      RN0008          11/31/8-             PAGE    1

CLASS    DESCRIPTION      UNITS    NET     GROSS     ADDITIONS      MARK -  END/COST  ON HAND   % OF    %INV   % O[illegible]  % OF    INT  MU
NUMBER                    SOLD     SALES   MARGIN    COST  RETAIL   DOWNS   END/RETL  STK/SLS   MKDN    TURN   [illegible]   MARG.   CLP  MU

  2100   SUITS BASIC         6      900     478       75    150       0      1072       16        .0    10.6    29.1    53.1         50.0
                            24     3600    1450     1450   3100       0      2300       3.4       .0      .7    24.3    53.4         53.4
  2200   SUITS BETTER       10     1375     746     1200   2500       0      8572       35        .0    60/0    55/5    65/3         63/0
```

Courtesy of NCR Corporation

INVENTORY CONTROL
UNIT III

ASSIGNMENT SHEET #1--READ COST CODES

NAME ________________________________ SCORE ______________

Many stores use cost codes on their price tags. This is a common method for concealing the cost of the merchandise from the customer--it keeps the customer from thinking the store has marked up the merchandise too much and at the same time allows for physical inventory counts to be taken on a cost basis directly from price tags. This is particularly helpful when the store uses a variety of markup percentages.

In this assignment, you are given several different cost codes. Read each situation and decode the problems given. Write your answers on the lines provided.

A. Dayton, Incorporated divides the year into two seasons: spring and fall. It letters each season consecutively, beginning with spring of the current year as "A." What season and year are indicated by the following letters?

Code	Season/Year
C	1. ______________________________
F	2. ______________________________
H	3. ______________________________
I	4. ______________________________
K	5. ______________________________

B. Claymore Brothers also divides the year into two seasons: spring and fall. It also letters each season consecutively, beginning with spring of the current year as "A." Claymore Brothers, however, prefers to handle inventory control by month rather than by season. If the spring season begins in January, what do the following codes represent?

Code	Month/Year
A4	1. ______________________________
B3	2. ______________________________
D2	3. ______________________________
F1	4. ______________________________
I1	5. ______________________________

ASSIGNMENT SHEET #1

C. Many stores use a word-decoding method for indicating cost on price tags. Word code devices always contain 10 letters. The first letter of the first word is designated as the number "1." Each letter is numbered consecutively "2," "3," and so on, through number "9." The tenth letter is "0."

EXAMPLE:

Word Code	Coded Cost Amount	Decode
1234 567890 FOUR PLAYED	EPAURL	$9,573.46

Use the following word code devices to decode the cost in each problem below.

Word Code	Coded Cost Amount	Decode
REPUBLICAN	PBIE	1. ________________
REPUBLICAN	CNUBR	2. ________________
MONEY TALKS	EKMNT	3. ________________
MONEY TALKS	YYLS	4. ________________
COST MARKED	OCEK	5. ________________
TOP FARMING	MFTGPA	6. ________________

D. Dagatt Company uses a tic-tac-toe grid cost code system.

# is the base for the system. ┘= 1, ⊔= 2, └= 3, ⊐= 4, □ = 5, ⊏= 6, ┐= 7, ⊓= 8, ┌= 9, and X = 0.

Using the tic-tac-toe grid system, decode the following cost codes.

⊓⊔⊐┌ 1. ________________

□X┘⊓ 2. ________________

⊏┐┌⊔ 3. ________________

└⊓┐┐└□ 4. ________________

INVENTORY CONTROL
UNIT III

ASSIGNMENT SHEET #2--COMPUTE INVENTORY

NAME ______________________________ SCORE ______________

It is necessary for each supervisor to double check all mathematical computations submitted by his or her subordinates on inventory forms. Since basic mathematical errors can bring about faulty records, it is essential that every manager become competent in performing basic mathematical skills.

In this assignment sheet, you will be given the opportunity to practice your mathematical problem-solving skills. Read the directions for each of the following problems and write your answers in the spaces provided. Use the Information Sheet as necessary for reference.

A. Given the following number of items and their retail prices, compute the total inventory at cost. Markup is 25 percent of retail.

732 items @ $2.95
122 items @ $6.50
682 items @ $2.50
519 items @ $7.50
300 items @ $1.50

Total inventory = ____________________

ASSIGNMENT SHEET #2

B. Given the following number of items and their costs, compute the total inventory.

230 items @ $2.50
120 items @ $5.00
262 items @ $2.50
154 items @ $5.75
300 items @ $1.00

Total inventory = ____________________

C. Complete the chart below to 1) find the total inventory of all items in the department for the months of January, February, and March, 2) find the total inventory for each item during the three-month period, and 3) find the total inventory of all items in the department for the entire three-month period.

INVENTORY

	Shoes	Purses	Gloves	Total
January	$3,780	$ 972	$3,646	1. ________
February	5,291	2,380	2,140	1. ________
March	2,429	1,078	1,568	1. ________
Total	2. ________	2. ________	2. ________	3. ________

INVENTORY CONTROL
UNIT III

ASSIGNMENT SHEET #3--CALCULATE INVENTORY EXTENSIONS

NAME ______________________ SCORE ____________

There are two basic methods for recording inventory onto inventory forms: retail price method and cost code method. Amounts are calculated and recorded in the extension columns of the inventory worksheet. Most retail stores record inventory at retail and then convert it to cost for the final extension. Since cost is the most accurate amount for management to consider when examining records, the total cost amount becomes the critical figure in inventory management.

In this assignment, you are given partially completed inventory forms. Calculate the extension amounts as indicated on each form. Write your answers in the spaces provided. Use the Information Sheet for reference as needed.

PART I--Calculate inventory extensions using the retail price method.

INVENTORY WORKSHEET

Department Small Appliances Date Today's date

Line #	Description	Quan.	Retail Price	Markup	Retail Extension	Cost Extension
1	3-way hairsetter HCD4	7 ea.	$27.98	40%		
2	Deluxe hairsetter 1546	11 ea.	25.95	50%		
3	Minisetter HCD8	9 ea.	23.95	40%		
4	Custom Care Setter KF20	10 ea.	39.99	40%		
5	Prodryer 1400	14 ea.	24.98	40%		
6	Superdry 5124	15 ea.	39.95	50%		
7	Dryer Current MD42	12 ea.	23.99	40%		
8	Dry One MRD 38	10 ea.	19.99	50%		
9	Dry Yer Hair DR69	13 ea.	23.69	50%		
				TOTAL(S)		

ASSIGNMENT SHEET #3

PART II--Calculate inventory extensions using the cost code method.

INVENTORY WORKSHEET

Department Jewelry & Clocks Date Today's date

Line #	Description	Quan.	Unit	Cost	Extension
1	Anniversary Clock G610	6	each	$88.93	
2	400-day Anniversary Clock G824	4	each	82.90	
3	Electronic Strike Mantel Clock G825	3	each	76.44	
4	Waterbury Chime Mantel Clock E111	4	each	162.47	
5	Triple Chain Mantel Clock F92	7	each	211.74	
6	Quartz Boutique Alarm Clock G475	2	each	49.57	
7	Quartz Oval Wall Clock F12	3	each	44.83	
8	Rattan Decorator Clock G610	5	each	43.60	
9	Mason Cuckoo Clock E211	6	each	37.95	
			TOTAL		

INVENTORY CONTROL
UNIT III

ASSIGNMENT SHEET #4–COMPUTE AVERAGE INVENTORY

NAME ______________________________ SCORE ______________

Average inventory is used to help establish merchandise plans, as well as a basis to determine how much space is necessary for stocking merchandise within the store. The wise manager will plan around the average inventory and make necessary arrangements for planned increases and decreases in inventory as they occur.

In this assignment you will compute average inventory for each of two years, as given in the problems below. Write your answers in the spaces provided in the right-hand margin.

A.

January 1	20,000
February 1	19,000
March 1	19,000
April 1	18,500
May 1	18,000
June 1	19,500
July 1	22,000
August 1	26,000
September 1	26,000
October 1	22,000
November 1	20,000
December 1	19,500
December 31	19,288

B.

August 1	2,000
September 1	8,952
October 1	2,600
November 1	2,700
December 1	2,100
January 1	9,901
February 1	5,200
March 1	2,010
April 1	5,207
May 1	2,500
June 1	7,492
July 1	2,300
July 31	8,190

INVENTORY CONTROL
UNIT III

ASSIGNMENT SHEET #5--CALCULATE ORDER QUANTITY

NAME ______________________________ SCORE ______________

For many managers, it is difficult to determine the supply to maintain in stock. Some departments need a three-month supply; others a six-month supply; and still others maintain a two-week supply of merchandise on hand. How is this figure derived? In some cases, product shelf life may be the determining factor. This is the case for many food items. Other factors to consider include lead time, discounts available, size of the merchandise, and special promotion events scheduled to take place. Generally, inventory guidelines are determined by a study of past records and industry data.

In this assignment, you are given a case study dealing with inventory control. Read the situation and determine the order quantity. Use the formulas given below to calculate the order quantity.

A. Order point = Lead time + basic stock + safety stock

B. Order ceiling = Order point + expected sales during order interval

C. Order quantity = Order ceiling - stock on hand

PART I

Ray Aiello is the manager of the shoe department. In order to supply a proper assortment of shoes in quantities that will maintain inventory consistent with customer demand, Mr. Aiello must maintain a basic stock equal to three weeks' sales and a safety stock of two weeks' sales. Lead time for order replacement in the shoe department averages four weeks. Average weekly sales in the shoe department run at 127 pairs per week. Mr. Aiello places orders every nine weeks. Book inventory shows that the shoe department has 1,927 pairs of shoes in stock and 65 pairs currently on order. Mr. Aiello must place his regular nine-week order on Saturday of this week.

PART II--Calculate the order quantity for the shoe department.

DIRECTIONS: Use the Information Sheet for reference. Use the back of this sheet to work the problem(s) and write your answer on the lines provided below.

Calculate order point, time A. ______________________

Calculate order point, units B. ______________________

Calculate order ceiling, time C. ______________________

Calculate order ceiling, units D. ______________________

Calculate order quantity E. ______________________

INVENTORY CONTROL
UNIT III

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

A. 1. Spring/next year
   2. Fall/two years from now
   3. Fall/three years from now
   4. Spring/four years from now
   5. Spring/five years from now

B. 1. April/current year
   2. September/current year
   3. August/next year
   4. July/two years from now
   5. January/four years from now

C. 1. $35.72
   2. $804.51
   3. $491.36
   4. $55.80
   5. $21.98
   6. $7,410.35

D. 1. $82.49
   2. $50.18
   3. $67.92
   4. $3,877.35

Assignment Sheet #2

A.	$2,159.40	$8,999.90	$8,999.90
	793.00	x .25	- 2,249.97 1/2
	1,705.00	$2,249.97 1/2	$6,749.92 1/2 (Total inventory at cost)
	3,892.50		
	450.00		
	$8,999.90 (Total inventory at retail)		

ANSWERS TO ASSIGNMENT SHEETS

B. $ 575.00
600.00
655.00
885.50
300.00
$3,015.50 (Total inventory at cost)

C.

INVENTORY

	Shoes	Purses	Gloves	Total
January	$3,780	$ 972	$3,646	1. $ 8,398
February	5,291	2,380	2,140	1. 9,811
March	2,429	1,078	1,568	1. 5,075
Total	2. 11,500	2. 4,430	2. 7,354	3. $23,284

Assignment Sheet #3

INVENTORY WORKSHEET

Department Small Appliances

Date Today's date

Line #	Description	Quan.	Retail Price	Markup	Retail Extension	Cost Extension	Markup
1	3-way hairsetter HCD4	7 ea.	$27.98	40%	$195.86	$117.52	($78.34)
2	Deluxe hairsetter 1546	11 ea.	25.95	50%	285.45	142.72½	(142.72½)
3	Minisetter HCD8	9 ea.	23.95	40%	215.55	129.33	(86.22)
4	Custom Care Setter KF20	10 ea.	39.99	40%	399.90	239.94	(159.96)
5	Prodryer 1400	14 ea.	24.98	40%	349.72	209.83	(139.89)
6	Superdry 5124	15 ea.	39.95	50%	599.25	299.62½	(299.62½)
7	Dryer Current MD42	12 ea.	23.99	40%	287.88	172.73	(115.15)
8	Dry One MRD 38	10 ea.	19.99	50%	199.90	99.95	(99.95)
9	Dry Yer Hair DR69	13 ea.	23.69	50%	307.97	153.98½	(153.98½)
				TOTAL(S)	$2,841.48	$1,565.53½	$1,275.84½

ANSWERS TO ASSIGNMENT SHEETS

PART II

INVENTORY WORKSHEET

Department Jewelry & Clocks Date Today's date

Line #	Description	Quan.	Unit	Cost	Extension
1	Anniversary Clock G610	6	each	$88.93	$533.58
2	400-day Anniversary Clock G824	4	each	82.90	331.60
3	Electronic Strike Mantel Clock G825	3	each	76.44	229.32
4	Waterbury Chime Mantel Clock E111	4	each	162.47	649.88
5	Triple Chain Mantel Clock F92	7	each	211.74	1,482.18
6	Quartz Boutique Alarm Clock G475	2	each	49.57	99.14
7	Quartz Oval Wall Clock F12	3	each	44.83	134.49
8	Rattan Decorator Clock G610	5	each	43.60	218.00
9	Mason Cuckoo Clock E211	6	each	37.95	227.70
			TOTAL		$3,905.89

Assignment Sheet #4

A. $\frac{\$268,788}{13} = \$20,676$ (Average inventory)

B. $\frac{\$61,152}{13} = \$4,704$ (Average inventory)

Assignment Sheet #5

A. 9 weeks

Lead time	4 weeks
+ Basic stock	3 weeks
+ Safety Stock	2 weeks
	9 weeks (order point, time)

B. 1,143 pairs

Order point, time	9 weeks
x Average inventory	127 units
	1,143 (order point, units)

ANSWERS TO ASSIGNMENT SHEETS

C.	18 weeks	Order point	9 weeks	
		+ Order interval	9 weeks	
			18 weeks	(order ceiling, time)
D.	2,286 pairs	Order ceiling, time	18 weeks	
		x Average inventory	127 units	
			2,286	(order ceiling, units)
E.	294 pairs	Order ceiling	2,286 units	
		- Stock on hand	1,927 units	
		- On order	65 units	
			294	(order quantity)

INVENTORY CONTROL
UNIT III

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with inventory control to their correct definitions. Write the correct numbers in the blanks.

_____a. Length of time between order placement and receipt of goods

_____b. Record kept of each item showing the amount of merchandise put in stock, withdrawn, and on hand at any particular time without the necessity of taking a physical count

_____c. Usual time between orders

_____d. Desired inventory level; whenever stock of an item falls below this point, it should be re-ordered

_____e. Manner in which cost of merchandise is placed on the price tag for inventory and other planning and control functions

_____f. Amount that should be ordered at any given time

_____g. Maximum amount of any item that should be ordered from the vendor(s)

_____h. Actual count of goods in stock

_____i. Merchandise stocked as protection against delivery delays, unexpected large orders, strikes, or other unforeseen events

_____j. Counting items before re-ordering

_____k. System of moving stock in and out of the store

_____l. Point at which the inventory of an item is depleted

1. Book inventory
2. Cost code
3. Lead time
4. Order ceiling
5. Order interval
6. Order point
7. Order quantity
8. Physical inventory
9. Safety stock
10. Stock count
11. Stockout
12. Stock rotation

TEST

2. Select from the following list reasons for establishing inventory control policies. Write an "X" in the blank before each correct answer.

______a. Inventory control may provide capital to permit expansion of operations

______b. Inventory control will make the development of a merchandise plan unnecessary

______c. Inventory is the largest asset for many businesses

______d. Inventory control may eliminate problems associated with capital shortages

______e. Inventory control can only be maintained with a computer-base system

______f. Inventory control is the same as merchandising products

3. Discuss ways to control inventory levels.

____

____

____

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4. Discuss functions of inventory management.

____

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TEST

5. Distinguish between characteristics of types of inventory systems. Write an "M" for manual inventory systems and an "E" for electronic inventory systems in the blanks.

_____a. Separate record is maintained for each item in inventory

_____b. Inventory control cards are generally maintained as data base

_____c. Computer system may be located within the business or may be a leased service

_____d. Minimum system for inventory control

_____e. Generally used when a large number of items is maintained in inventory

6. Match the common methods of inventory valuation to the correct information. Write the correct numbers in the blanks. Answers may be used more than once.

_____a. Most retail businesses use this method	1. Cost method
_____b. Most non-retailing buisnesses use this method	2. Retail method
_____c. Inventory value given to each item based on cost price	
_____d. Inventory value given to each item based on retail selling price	

7. Select from the following list guidelines for taking physical inventory counts. Write an "X" in the blank before each correct answer.

_____a. Physical inventory should be taken at least once each quarter

_____b. Records must be adjusted to reflect any difference between book inventory and actual count

_____c. Management should check for reasons behind inventory shortages and take corrective action

_____d. Physical inventory can only be taken while the store is closed so customers cannot interfere with the count

_____e. Physical inventory counts are rarely as accurate as book inventory data

TEST

8. Arrange in order steps in organizing a physical inventory. Write a "1" for the first step; a "2" for the second step, and so on, in the blanks.

______a. Have the caller read out information from the price tags to the checker

______b. Divide the store/department according to its layout and/or product lines

______c. Have team partners trade positions as checker and caller occasionally to avoid boredom

______d. Have the checker record information on inventory forms

______e. Form teams consisting of a checker and a caller

______f. Group merchandise according to price, type, and style

______g. Have caller look occasionally to see that the checker is recording information accurately

9. Arrange in order steps for recording information on an inventory form using first the retail price method, and then the cost code method. Write a "1" for the first step; a "2" for the second step, and so on, in the blanks.

a. Retail price method

______1) Multiply total inventory at retail by the markup percentage to arrive at the total markup

______2) Add total retail value for each item to arrive at total inventory at retail

______3) Multiply the retail price of each item in stock by the number of articles on hand at the time of inventory count

______4) Subtract the total markup from total inventory at retail to arrive at the total inventory at cost

______5) Record the retail prices of merchandise

b. Cost code method

______1) Record the costs of merchandise taken from cost codes on price tags

______2) Multiply the cost of each item in stock by the number of articles on hand at the time of inventory count

______3) Add total cost for each item to arrive at the total inventory at cost

TEST

10. State the steps in calculating average inventory.

11. Discuss the procedure for establishing inventory order quantities.

12. Complete the following statements associated with common methods of rotating inventory. Write your answers on the lines provided.

    a. ____________--First items placed in stock are the first ones taken out

    b. ____________--Newest items placed in stock are the first ones taken out

13. State ways to reduce excessive inventories.

    a. ____________________

    b. ____________________

    c. ____________________

    d. ____________________

TEST

(NOTE: Test questions 14-18 are assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

14. Read cost codes.

15. Compute inventory.

16. Calculate inventory extensions.

17. Compute average inventory.

18. Calculate order quantity.

INVENTORY CONTROL
UNIT III

ANSWERS TO TEST

1. a. 3
    b. 1
    c. 5
    d. 6
    e. 2
    f. 7
    g. 4
    h. 8
    i. 9
    j. 10
    k. 12
    l. 11

2. a, c, d

3. Discussion should include
    a. Invest in inventory according to a sound merchandise plan
    b. Maintain accurate, up-to-date records to help identify and prevent shortages
    c. Use records as a data base for decision-making
    d. Take prompt action to correct inventory imbalances

4. Discussion should include
    a. Purchase the proper assortment of goods in quantities that will maintain inventory levels consistent with customer demand
    b. Provide safety stocks to prevent stockouts caused by unexpected demand or delays in shipments
    c. Maintain current and correct records
    d. Reduce excessive inventories promptly so that capital created may be invested in merchandise with greater market potential

5. a. M
    b. M
    c. E
    d. M
    e. E

ANSWERS TO TEST

6. a. 2

   b. 1

   c. 1

   d. 2

7. b, c

8. a.	4	e.	1
b.	2	f.	3
c.	7	g.	6
d.	5		

9. a. Retail price method

   1) 4
   2) 3
   3) 2
   4) 5
   5) 1

   b. Cost code method

   1) 1
   2) 2
   3) 3

10. a. Add the opening inventories for each month of the period to the closing inventory for the period

    b. Divide the total inventory for the period by the number of inventories counted

11. Discussion should include

    a. Determine order point

    b. Determine order ceiling

    c. Determine order quantity

12. a. FIFO (first-in-first-out)

    b. LIFO (last-in-first-out)

ANSWERS TO TEST

13. a. Sell overstocked merchandise to customers at reduced prices

    b. Check to see if there is a wholesale market available which will purchase overstocked items

    c. Sell overstocked items to "bargain basements" or warehouse outlets

    d. Arrange to sell overstocked items to a computer at wholesale prices, or below

14. Evaluated to the satisfaction of the instructor

15. Evaluated to the satisfaction of the instructor

16. Evaluated to the satisfaction of the instructor

17. Evaluated to the satisfaction of the instructor

18. Evaluated to the satisfaction of the instructor

CREDIT PROCEDURES
UNIT I

UNIT OBJECTIVE

After completing this unit, the student should be able to make decisions approving or rejecting credit applications, and to control credit activities in a retail store. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with credit procedures to their correct definitions.
2. Select from a list responsibilities of a credit manager.
3. Discuss advantages of selling on credit.
4. Discuss disadvantages of selling on credit.
5. Distinguish among types of credit accounts.
6. Arrange in order steps used to open credit accounts.
7. Select from a list uses of credit applications.
8. Describe guidelines for conducting a credit interview.
9. Describe steps used in conducting credit investigations.
10. Describe criteria for evaluating credit applications.
11. Discuss rules to follow when accepting or rejecting a credit application.
12. Distinguish among federal laws which affect consumer credit.
13. Determine whether to grant credit to an applicant.

CREDIT PROCEDURES
UNIT I

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order films, games, and other materials planned to supplement unit.

(NOTE: The first two films are available on a free-loan basis to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order from the addresses below.)

1. *There Ought To Be a Law*. Color, 27 minutes, Betzer Productions, Inc., 1969. Available from Betzer Productions, Inc., 450 East Ohio Street, Chicago, Illinois 60611.

   (NOTE: This film explains the Uniform Consumer Credit Code and what protection it provides for consumers in Oklahoma who are buying and borrowing on credit.)

2. *To Your Credit*. Color, 18 minutes, General Mills, 1975. Available from General Mills, Inc., Box 1113, 9200 Wayzata Boulevard, Minneapolis, Minnesota 55440.

   (NOTE: This film explains some of the pressures, problems, and conflicts that can arise from poor household credit management.)

3. *The Story of Consumer Credit*. Pamphlet, Federal Reserve Bank of New York, 1980. Public Information Department, 33 Liberty Street, New York, New York.

   (NOTE: This pamphlet is produced in comic-book format and discusses history, uses, laws, and general information about consumer credit.)

4. *"Truth in Lending."* Pamphlet, Federal Deposit Insurance Corporation, 550 17th Street, Northwest, Washington, D.C. 20429.

   (NOTE: This pamphlet is available free of charge and discusses the major points of the Truth-in-Lending laws.)

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

SUGGESTED ACTIVITIES

G. Ask leading questions to stimulate classroom discussion.

EXAMPLES: Part IV, Section D--"Why do businesses have the ethical responsibility to their customers never to sell beyond the customer's ability to pay? . . . What measures may be taken to assure that customers will not overbuy?"

H. Play Concentration to review terms and definitions.

I. Visit the credit department of a local department store. Have students ask questions of various employees.

J. Invite a credit manager to talk with your class about credit operations and the availability of credit in your community.

K. To supplement and localize Objective V, have students who work in home furnishings and other occupational areas which use sales contracts bring in copies of their training stations' contracts to practice completing the forms during individualized training time.

L. When discussing Objective XII, students may raise questions regarding privacy of school records. The law which protects the privacy of school records is the Family Educational Rights and Privacy Act, which was written as an amendment to the Education Act in 1974.

M. Give test.

N. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

D. Transparency masters

1. TM #1--Credit Application
2. TM #2--Three C's of Credit
3. TM #3--Parts of a Credit Statement

E. Assignment Sheet #1--Determine Whether to Grant Credit to An Applicant

F. Answers to assignment sheet #1

G. Test

H. Answers to test

SUGGESTED ACTIVITIES

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. *Retail Credit.* Austin: The University of Texas Division of Extension Distributive Education Department, 1966.

C. U.S. Small Business Administration. *SBA Business Basics: Consumer Credit.* Washington, D.C.: U.S. Government Printing Office, 1980.

D. U.S. Small Business Administration. *SBA Business Basics: Credit and Collections: Policy and Procedures.* Washington, D.C.: U.S. Government Printing Office, 1980.

CREDIT PROCEDURES
UNIT I

INFORMATION SHEET

I. Terms and definitions (Transparency #2)

A. Billing cycle--Method of spreading out credit department workload by dividing accounts receivable into groups and billing each group at a different time during the month

B. Collateral--Property used as security for a loan

C. Confidential--Kept secret; away from all unauthorized personnel and disclosure

D. Credit--Supplying goods and services with the promise to pay at a later date, often in installments and with interest

E. Credit application--Form used to gain information about a customer wishing to purchase goods and services on credit

F. Credit bureau--Clearinghouse for information about an individual's or business' credit history

G. Credit limit--Pre-determined maximum amount that a credit customer is authorized to charge on account

(NOTE: As payments are made, charges may continue so long as the total amount charged against the account does not exceed the maximum amount permitted.)

H. Credit rating--Appraisal of an individual's credit worthiness; ability and willingness to pay credit obligations

I. Credit reference--Company through which credit privileges have been extended

J. Criteria--Standards from which a decision is made

K. Installment--Amount paid on account when a debt is divided into portions that are payable on specific dates

L. Interest--Charge made for use of money

M. Ledger--Book of accounts to which charges and payments on accounts are posted

N. Operating expenses--Costs incurred in operating a business

EXAMPLES: Rent, taxes, interest paid on borrowed money, bad accounts and collection expenses, insurance, salaries

O. Three C's (character, capacity, capital)--Basis upon which a credit applicant's credit rating is determined (Transparency #2)

INFORMATION SHEET

II. Responsibilities of a credit manager

(NOTE: For about fifty years the authority for granting credit in large stores has been given to specially qualified credit managers. In smaller stores, the owner usually assumes this responsibility.)

- A. Opening accounts
- B. Controlling accounts
- C. Collecting accounts

III. Advantages of selling on credit

- A. Increases sales volume
  - 1. Encourages customers to buy more freely
  - 2. Makes large ticket sales easier
- B. Encourages repeat sales
  - 1. Provides customer convenience
  - 2. Creates customer loyalty
- C. Provides more even distribution of sales

  (NOTE: Credit sales promotional activities can be planned for slow selling periods.)

IV. Disadvantages of selling on credit

- A. Ties up capital
- B. Increases operating expenses
  - 1. Creates increased bookkeeping for accounts receivable
  - 2. Requires collection follow-up
  - 3. May increase interest paid for annual working capital

    (NOTE: Since increased capital is required to finance accounts receivable as well as inventory, it may be necessary to borrow money for operations, thereby increasing the amount of interest paid out on loans.)
- C. May cause losses due to uncollectable accounts
- D. May cause customers to overbuy

INFORMATION SHEET

V. Types of credit accounts

- A. Regular 30-day accounts
    - 1. Payment is usually due within ten days after the statement date
    - 2. Finance charge is usually not added if the account is paid within thirty days after purchase
- B. Revolving accounts
    - 1. Customer pays a pre-established amount every month
    - 2. Customer may continue to purchase merchandise on credit up to a pre-determined maximum amount
    - 3. Finance charge is usually added to average balance
- C. Installment accounts

  (NOTE: Seller holds title to merchandise until the final payment is made.)

    - 1. Contract is drawn as per agreement to pay

      (NOTE: In Oklahoma, copies of the contract should be filed with the county clerk to insure first mortgage rights. Once final payment is made, the store should release the lien by notifying the county clerk's office.)

    - 2. Debt is divided into portions that are payable on specific dates
    - 3. Finance charges vary according to amount financed
    - 4. Repossession of collateral may take place if payments are not met

VI. Steps used to open credit accounts

- A. Have customer complete credit application
- B. Conduct credit interview
- C. Conduct credit investigation
- D. Conduct credit evaluation
- E. Accept or reject application

VII. Uses of credit applications (Transparency #1)

- A. Serve as permanent record of customer data
- B. Aid in credit investigation and evaluation
- C. Impress credit applicant with store's formal operations

INFORMATION SHEET

VIII. Guidelines for conducting a credit interview (Transparency #2)

- A. Have a qualified interviewer

  EXAMPLES: Good common sense, even temperament, insight into human relations, friendly manner, sincere interest in people, knowledge of credit operations

- B. Conduct the interview in private office area
- C. Serve the customer's needs
- D. Obtain and retain goodwill of customer
- E. Emphasize value of a good credit rating
- F. Introduce customer to policies of the store
- G. Obtain sufficient information to determine credit risk (Transparency #2)
  1. Determine the applicant's identity
  2. Ascertain capacity or ability to pay
  3. Determine applicant's character or willingness to pay
  4. Measure applicant's capital or financial resources
  5. Determine if applicant can be compelled to pay
- H. Bring about clear understanding of credit terms
- I. Emphasize wisdom of prompt payment
- J. Tell customer when he/she will be notified that the account has been approved or rejected
- K. Be sure that the applicant has signed the application
- L. Thank the customer
- M. Keep all information confidential

IX. Steps used in conducting credit investigations

- A. Contact credit bureau
  1. Most complete source of information on applicant's character, capacity, and capital
  2. Inquiry is permanently recorded on applicant's credit record
  3. Service charge is usually assessed to the store for each inquiry

INFORMATION SHEET

B. Check with employer

   1. Verify that applicant is employed

   2. Verify time on the job, and if possible, applicant's income

C. Check other credit references

   1. Contact current retail creditors for status of accounts

   2. Check with landlord or mortgage company to determine consistency in paying bills

   3. Check with bank and/or credit union to determine status of accounts and financial resources

      (NOTE: There are laws restricting the amount of information that banks can give. Most banks will confirm the existence of an account, and may provide a general idea of the average balance.)

X. Criteria for evaluating credit applications (Transparency #2; Assignment Sheet #1)

A. Use all available information based on credit application, credit interview, and credit investigation

B. Determine applicant's ability to pay based on current income and debts

(NOTE: Compute ability to pay using the following formula: Income minus total obligations equals money available
Money available minus amount of proposed purchase equals net money available for spending after all bills are paid.)

C. Determine applicant's willingness to pay based on credit bureau report and character

EXAMPLES: Were there any contradictions in information given by applicant? Did any reference say that applicant's credit history is questionable? Is the applicant a source of trouble at the bank?

XI. Rules to follow when accepting or rejecting a credit application

(NOTE: Customer may be contacted by phone, letter, or in person.)

A. Notify customer of credit acceptance

   1. Show appreciation for customer's business

   2. Be sure that terms are understood and accepted

   3. Stress prompt payment by going over the advantages of using retail credit

   4. Keep credit information confidential

INFORMATION SHEET

B. Notify customer of credit rejection

1. Show appreciation for customer's business
2. Explain reason for rejection

   EXAMPLES: Information does not meet company policy; overdue accounts on record; slowly paid accounts on record; over-obligated; insufficient information; residential instability; insufficient sources of capital

3. Keep credit information confidential
4. Suggest alternative credit resources

XII. Federal laws which affect consumer credit (Transparency #3)

A. Consumer Credit Protection Act of 1968

(NOTE: This act is sometimes called the "Truth-in-Lending Law.")

1. Most comprehensive, consumer-oriented credit legislation ever passed in the United States
2. Regulates consumer credit transactions between sellers and credit buyers
3. Requires that creditors give customers a written statement of each credit transaction (Transparency #3)

   (NOTE: Statements must include cash price, down payment, total amount financed, dollar amount and annual rate of interest, late charges, dates and amount of payments, and other information about the transaction.)

B. Fair Credit Reporting Act of 1971

1. Amended the Consumer Credit Protection Act of 1968
2. Places certain responsibilities on all businesses who either issue or use credit bureau reports
   a. Tells who can lawfully use a credit report
   b. Tells what type of information a consumer reporting agency may and may not report
   c. Outlines responsibilities for businesses to report to customers that a credit check was run, and when that report to the customer must be made

INFORMATION SHEET

C. Credit Card Issuance Act of 1971

1. Amended the Consumer Credit Protection Act of 1968

2. Regulates issuance of unsolicited credit cards

3. Sets maximum liability for unauthorized use of credit cards

   (NOTE: The second section of the law states: "A cardholder shall be liable for the unauthorized use of a credit card only if the card is an accepted card, the liability is not in excess of $50.00, the card issuer gives adequate notice to the cardholder of the potential liability, the card issuer has provided the cardholder with a self-addressed, prestamped notification to be mailed by the cardholder in the event of the loss or theft of the credit card, and the unauthorized use occurs before the cardholder has notified the card issuer that an authorized use of the credit card has occurred or may occur as the result of loss, theft, or otherwise.")

D. Fair Credit Billing Act of 1975

1. Regulates methods and procedures creditors may use in billing credit card accounts and other revolving credit accounts upon which they may impose finance charges

2. Specifies procedures for solving disputes with customers over billings and allegations of billing errors

E. Equal Credit Opportunity Act of 1975

1. Prohibits discrimination in granting any form of credit on the basis of sex or marital status

2. Enacted in response to complaints from women that creditors considered single men more credit-worthy than single women and that they would not issue credit to a married woman under her own name

F. Privacy Act of 1974

(NOTE: The right to privacy is given to all citizens of the United States under provisions of the Fourteenth Amendment of the United States Constitution, which states: ". . . right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures . . .")

1. Regulates use of records held by federal agencies to insure that information gained will be used only for the reasons for which it was collected

INFORMATION SHEET

2. Gives citizens the right to keep records private, to restrict the use of their social security numbers, and to correct certain records
    a. Prohibits federal agencies from showing records to other agencies unless written permission is granted by the individual
    b. Allows individuals to challenge and correct information that is out-of-date, inaccurate, or incomplete

BMO - 15-F

Credit Application

Name and address in which account is to be carried Courtesy titles optional ☐ Mr. ☐ Mrs. ☐ Miss ☐ Other:

(PLEASE PRINT) FIRST NAME MIDDLE INITIAL LAST NAME

PHONE NO.

ADDRESS CITY STATE ZIP

IF APPLICANT'S SPOUSE IS AUTHORIZED TO USE THE ACCOUNT, PRINT NAME HERE

IF OTHERS ARE AUTHORIZED TO USE THE ACCOUNT, PRINT NAME HERE:

1\.

2\.

SOCIAL SECURITY NUMBER	NUMBER OF DEPENDENTS	AGE	HOW LONG AT PRESENT ADDRESS	☐ OWN ☐ RENT ☐ BOARD	MONTHLY RENT OR MORTGAGE PAYMENTS

FORMER ADDRESS (IF LESS THAN 2 YEARS AT PRESENT ADDRESS)	HOW LONG	EMPLOYER
ADDRESS CITY STATE ZIP	HOW LONG	OCCUPATION

ANNUAL SALARY

FORMER EMPLOYER (IF LESS THAN TWO YEARS WITH PRESENT EMPLOYER)

HOW LONG

OTHER INCOME IF ANY AMOUNTS	NOTE: Income from alimony, child support, or separate maintenance payments need not be disclosed unless relied on as a basis for credit	SOURCE OF OTHER INCOME

NAME OF BANK	ADDRESS	CITY	BANK ACCOUNT	SAVINGS CHECKING ☐ LOAN
NAME OF BANK	ADDRESS	CITY	BANK ACCOUNT	SAVINGS CHECKING ☐ LOAN

CREDITOR (NAME AND ADDRESS)	ACOUNT NUMBER	NAME IN WHICH ACCOUNT IS CARRIED	BALANCE	MONTHLY PAYMENT

RETAIL INSTALLMENT CREDIT AGREEMENT

The undersigned customer ("Buyer") hereby agrees with the store identified below ("Seller") that all purchases of goods and services under buyer's charge account with Seller ("Account") shall be subject to the following terms.

1. Buyer agrees to pay in full all purchases charged to the account and all other amounts, including finance charges, due under this agreement. All charges will be billed on a monthly basis and are due and payable upon receipt of the billing statement. Each billing statement will include all charges and payments and other credits received during the monthly billing period ending on the billing date shown on the statement.

2. In order for Buyer to avoid a FINANCE CHARGE, payment for every charge, including finance charge, must be received by Seller within month(s) after the billing date shown on the billing statement on which the charge was first billed to Buyer.

3. The balance subject to finance charge ("Finance Balance") shown on a billing statement will consist of charges, including finance charge incurred month(s) or more before the billing date shown on the billing statement less payments or credits received by Seller by said billing date.

4. On each billing statement on which a Finance Balance appears, a FINANCE CHARGE will be imposed on the Finance Balance at the periodic rate(s) of % per month (ANNUAL PERCENTAGE RATE of %) for the Finance Balance up to $ and % per month (ANNUAL PERCENTAGE RATE of %) of any excess subject to a minimum FINANCE CHARGE OF $ per month.

5. Seller may at any time amend any of the terms of this agreement upon written notice mailed or delivered to Buyer in accordance with applicable law, and any amendment may apply to balances then outstanding. Seller may limit or terminate Buyer's right to use the Account without prior notice.

6. If any amount due and payable under this agreement is referred for collection to any attorney not a salaried employee of Seller, Buyer will be charged and agrees to pay reasonable attorney's fees and costs not exceeding the maximum amount permitted by applicable law.

7. Seller hereby waives any security interest in or lien (other than judgment lien) upon any real property used as a principal residence of Buyer, unless expressly reserved in writing at the time of sale.

8. The law of the State where Buyer resides shall govern this agreement.

NOTICE TO THE BUYER

1. DO NOT SIGN THIS CREDIT AGREEMENT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES.
2. YOU ARE ENTITLED TO A COMPLETELY FILLED IN COPY OF THIS CREDIT AGREEMENT.
3. YOU MAY AT ANY TIME PAY YOUR TOTAL INDEBTEDNESS UNDER THIS AGREEMENT.
4. NOTICE: SEE ACCOMPANYING STATEMENT FOR IMPORTANT INFORMATION REGARDING YOUR RIGHTS TO DISPUTE BILLING ERRORS.

Date

(Authorized Signature)

(Store Name)

(Store Street Address)

(Store City and State

(Store Phone Number)

BUYER ACKNOWLEDGES RECEIPT OF THE ATTACHED COPY OF THIS CREDIT AGREEMENT AND THE ACCOMPANYING STATEMENT REGARDING BUYER'S RIGHTS TO DISPUTE BILLING ERRORS.

(Signature of Buyer)

(Buyer's Street Address)

(Buyer's City and State)

DIRECT INQUIRIES ABOUT YOUR ACCOUNT TO THE STORE'S ADDRESS INDICATED ABOVE

WHITE COPY: ORIGINAL COPY YELLOW COPY: CUSTOMER COPY

CREDIT REFERENCES

OTHER ACCOUNTS

676

TM #1

BMO - 17-F

Three C's of Credit

NO.	Amount of Credit Requested	DATE
FULL NAME		AGE
ADDRESS	ZIP	HOW LONG
HOME PHONE	BUSINESS PHONE	NUMBER OF DEPENDENTS (INCLUDING SPOUSE)
FORMER ADDRESS	ZIP	HOW LONG
EMPLOYED BY	ADDRESS	Z
HOW LONG	POSITION	MONTHLY INCOME $
		OTHER I $
PREVIOUS EMPLOYER	ADDRESS	Z
BANK ACCOUNT	BRANCH	
NAME OF SPOUSE (If joint application)	EMPLOYED YES ☐ NO ☐	WHE
DO YOU OWN AN AUTOMOBILE YES ☐ NO ☐		
NEAREST RELATIVE WITH W		
NAME		TIONSHIP

			MONTHLY PAYMENT	BALANCE OWING
TYPE				
			$	$
			$	$
			$	$
			$	$
		CARD NO.	$	$
ND		CARD NO.	$	$
OTHER INSTALLMENT OBLIGATIONS (IN TOTAL)			$	$

IF GRANTED CREDIT I AGREE TO PAY ALL BILLS PER THE FOLLOWING TERMS:

APPLICANT'S SIGNATURE:

REMARKS:

CHARACTER	CAPACITY	CAPITAL
Who is the applicant? Where is the applicant?	What does the applicant do? Is the applicant able to pay?	Will the applicant pay? Can the applicant be made to pay?

Parts of a Credit Statement

① Date—This is the date on which the transaction was posted to your account.

② Reference Number—This number describes your transactions to our Credit Sales Department Personnel in the event there is ever any question from you.

③ Transaction Description—This tells us (and you) whether your purchase was a Catalog Sale, Retail Sale, a Return, a Payment, a Finance Charge, etc.

④ Department Numbers—Every department at Sears has one. You can find the list which explains this on the reverse of your statement.

⑤ Charges—These are the amounts, including any Finance Charge, being added to your account for things you have charged.

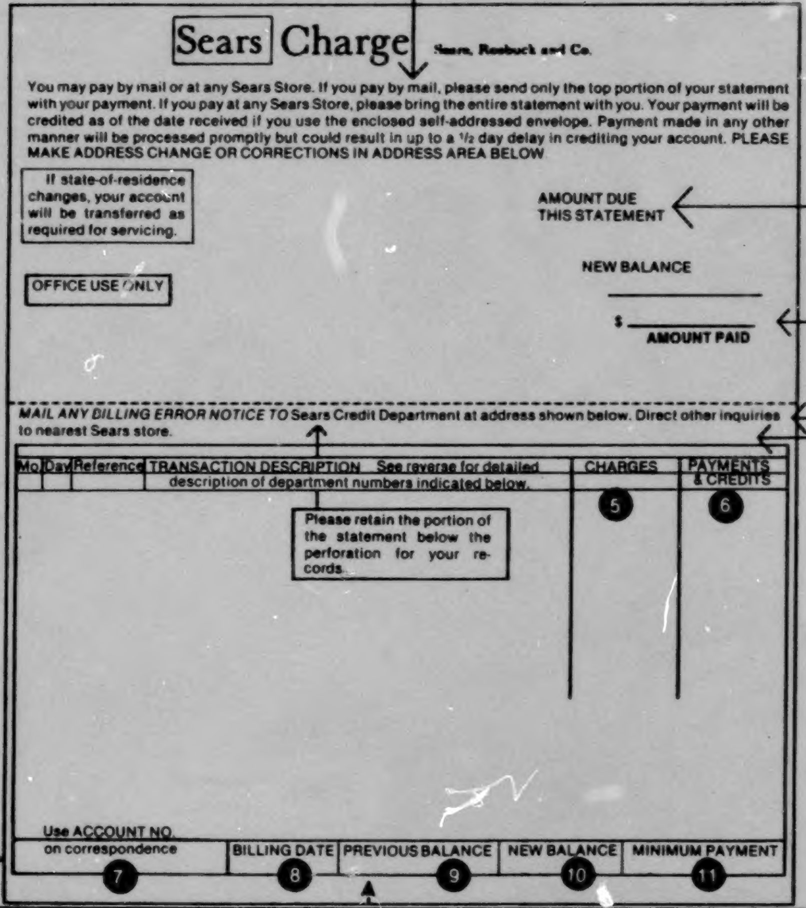
⑥ Payments and Credits—These are amounts being subtracted from your balance.

⑦ "Account Number" This is your account number which you should ALWAYS MENTION when inquiring about purchases, payments, or returned merchandise. (It's also on your Sears credit card.)

⑧ Billing Date—Month, day, and year as of which this statement was prepared.

⑨ Previous Balance—This was your balance at the beginning of your billing period.

This information explains where and how to pay your monthly payment. If you pay by mail, please use the self-addressed envelope which accompanied your monthly statement.



Sears Charge Sears, Roebuck and Co.

You may pay by mail or at any Sears Store. If you pay by mail, please send only the top portion of your statement with your payment. If you pay at any Sears Store, please bring the entire statement with you. Your payment will be credited as of the date received if you use the enclosed self-addressed envelope. Payment made in any other manner will be processed promptly but could result in up to a ½ day delay in crediting your account. PLEASE MAKE ADDRESS CHANGE OR CORRECTIONS IN ADDRESS AREA BELOW

If state-of-residence changes, your account will be transferred as required for servicing.

OFFICE USE ONLY

AMOUNT DUE THIS STATEMENT

NEW BALANCE

$ ________ AMOUNT PAID

MAIL ANY BILLING ERROR NOTICE TO Sears Credit Department at address shown below. Direct other inquiries to nearest Sears store.

Mo	Day	Reference	TRANSACTION DESCRIPTION See reverse for detailed description of department numbers indicated below.	CHARGES	PAYMENTS & CREDITS
				⑤	⑥

Please retain the portion of the statement below the perforation for your records.

Use ACCOUNT NO. on correspondence	BILLING DATE	PREVIOUS BALANCE	NEW BALANCE	MINIMUM PAYMENT
⑦	⑧	⑨	⑩	⑪

"Amount Due" The installment payment (the lowest amount you must pay) and your new balance are indicated here. You may decide to pay the minimum, the full amount, or anything in between.

"Amount Paid" This is the place to enter the amount you are paying. Be sure to enclose this part of the statement with your payment.

In case of a billing error, to protect your rights under the Fair Credit Billing Act, mail your billing error notice to the address which appears here.

DO NOT send your monthly payment to this address. Use the envelope which was enclosed with your statement.

Line of Credit—Your line of credit and available credit.

⑩ New Balance—This is what you owe Sears as of your billing date.

⑪ Minimum Payment—This is the minimum amount you are required to pay on your account.

"Truth in Lending Disclosures" Here you will find disclosures regarding the Annual Percentage Rate of Finance Charge applicable to your account. On the reverse side of your statement are additional disclosures, including an explanation of how the Average Daily Balance, upon which the Finance Charge is based, is computed.

STATEMENT OF CREDIT BILLING RIGHTS

Keep This Notice For Future Use

Used with permission of Sears, Roebuck and Company.

CREDIT PROCEDURES
UNIT I

ASSIGNMENT SHEET #1--DETERMINE WHETHER TO GRANT CREDIT TO AN APPLICANT

NAME ______________________________ SCORE ____________________

One of the most important decisions a manager can make regarding credit is to determine whether to grant credit to new applicants or to decline credit privileges. It is not easy to decide to risk the store's money in expectation that the customer will pay later. Many retail stores, however, are finding it necessary to grant credit to customers in order to stay competitive. As with so many other areas of management decision making, the ability to make sound credit decisions develops with time. Even the most experienced credit managers cannot be certain that every decision they make will be the right one . . . It takes time and practice, and a little luck.

In this assignment you will be given practice in determining whether to grant credit to a customer. Mary Wallace has completed a credit application; now you must analyze her request before making a final decision.

INSTRUCTIONS: Answer questions presented in each part of the assignment sheet. Use Information Sheet for reference.

PART I--Examine credit application

A. Determine applicant's ability to pay based on current income and debts.

____

____

B. Determine applicant's stability in residence and employment.

1. How long has she lived at her current address?____________________

2. How long has she been employed at her current place of business?__________

C. Determine what information is missing from the application. Write your answer on the lines provided.

____

____

____

____

____

ASSIGNMENT SHEET #1

PART II--Develop interview questions

A. Compile a list of questions which might be asked in a credit interview with Mary Wallace. Write your questions on the lines provided.

B. Rank each question in order of importance by writing a "1" next to the most important question; "2" next to the second most important question, and so on.

PART III--Determine sources which may be used to verify information on credit application

A. With whom would you check to verify the information on the application?

B. Which is likely to be the most important information source? Explain your answer.

ASSIGNMENT SHEET #1

PART IV--Determine whether to grant credit

(NOTE: Assume that the applicant, who is requesting a $500.00 credit limit, received favorable reports from all references.)

A. Does her monthly income appear sufficient to cover her fixed living expenses? Explain your answer.

____

____

____

____

____

B. How would you describe her employment history?

____

____

____

C. Would you approve her credit application?____________________

ASSIGNMENT SHEET #1 BMO - 25-F

CREDIT APPLICATION

NO.	Amount of Credit Requested		DATE 12/15/82
FULL NAME Mary Wallace			AGE 38
ADDRESS 15 West Place, Concord Okla. ZIP 76470			HOW LONG 10
HOME PHONE 607-5421	BUSINESS PHONE 613-4700		NUMBER OF DEPENDENTS (INCLUDING SPOUSE) 4
FORMER ADDRESS 36 Main St. Concord ZIP 76470			HOW LONG
EMPLOYED BY County Superior Court		ADDRESS 100 Park Plaza, Concord ZIP 76470	
HOW LONG 7 yrs.	POSITION Ass't. Clerk	MONTHLY INCOME $ 1,000	OTHER INCOME (optional) $ 300 (Child Support)
PREVIOUS EMPLOYER none		ADDRESS ZIP	HOW LONG
BANK ACCOUNT First County Bank		BRANCH Downtown	CHECKING ☑ SAVINGS ☑
NAME OF SPOUSE (If joint application) —	EMPLOYED YES ☐ NO ☐ —	WHERE EMPLOYED —	MONTHLY INCOME $ —
DO YOU OWN AN AUTOMOBILE YES ☑ NO ☐		WHEN PURCHASED 5 years ago	FROM WHOM King Ford

NEAREST RELATIVE WITH WHOM YOU ARE NOT LIVING:

NAME	ADDRESS	ZIP	RELATIONSHIP
Sally Thomas	56 Blake Rd. Lexington, MA.		mother

CREDIT REFERENCES

TYPE	IN ACCOUNT WITH	ADDRESS	MONTHLY PAYMENT	BALANCE OWING
HOME ☐ OWN ☑ RENT	County Realtors	5000 Greely Dr. Concord, Okla.	$ 250	$
AUTOMOBILE ☑ OWN ☐ LEASE			$	$
OTHER			$	$
OTHER			$	$
CREDIT CARD	Bambergers	CARD NO. 176542	$ 20	$ 150
CREDIT CARD		CARD NO.	$	$
ALL OTHER INSTALLMENT OBLIGATIONS (IN TOTAL) none			$	$

IF GRANTED CREDIT I AGREE TO PAY ALL BILLS PER THE FOLLOWING TERMS:
net 30 days

APPLICANT'S SIGNATURE:

REMARKS:

CREDIT PROCEDURES
UNIT I

ANSWERS TO ASSIGNMENT SHEET #1

Assignment Sheet #1

I. A. Her monthly combined income is $1,300. She has a small loan payment of $20 and rent of $250. This leaves $1,020 for food, clothing, utilities, and other expenses

B. 1. Do not know.

(NOTE: Applicant wrote "10." This may mean 10 years, 10 months, 10 days.)

2. 7 years

C. Information should include

1. Length of time at current address
2. Length of time at former address
3. Applicant's signature
4. Amount of credit requested

II. A. Evaluated to the satisfaction of the instructor

B. Evaluated to the satisfaction of the instructor

III. A. Sources should include

1. County Superior Court
2. First County Bank
3. County Realtors
4. Local credit bureau

B. Local credit bureau. Because it is the most complete source of information on the applicant's character, capacity, and capital

IV. A. Yes. Her monthly combined income of $1,300 should be enough to cover her current bills totaling $270, daily living expenses, and payment on her credit account.

B. Favorable

C. Yes

CREDIT PROCEDURES
UNIT I

TEST

NAME ______________________________ SCORE ____________________

1. Match terms associated with credit procedures to their correct definitions. Write the correct numbers in the blanks.

______a. Supplying goods and services with the promise to pay at a later date, often in installments and with interest

______b. Property used as security for a loan

______c. Method of spreading out credit department workload by dividing accounts receivable into groups and billing each group at a different time during the month

______d. Form used to gain information about a customer wishing to purchase goods and services on credit

______e. Pre-determined maximum amount that a credit customer is authorized to charge on account

______f. Kept secret; away from all unauthorized personnel and disclosure

______g. Company through which credit privileges have been extended

______h. Clearinghouse for information about an individual's or business' credit history

______i. Appraisal of an individual's credit worthiness; ability and willingness to pay credit obligations

______j. Standards from which a decision is made

______k. Basis upon which a credit applicant's credit rating is determined

______l. Book of accounts to which charges and payments on accounts are posted

______m. Charge made for use of money

______n. Costs incurred in operating a business

______o. Amount paid on account when a debt is divided into portions that are payable on specific dates

1. Billing cycle
2. Collateral
3. Confidential
4. Credit
5. Credit application
6. Credit bureau
7. Credit limit
8. Credit rating
9. Credit reference
10. Criteria
11. Installment
12. Interest
13. Ledger
14. Operating expenses
15. Three C's (character, capacity, capital)

TEST

2. Select from the following list responsibilities of a credit manager. Write an "X" in the blank before each correct answer.

_____a. Collecting accounts

_____b. Judging customers

_____c. Opening accounts

_____d. Controlling accounts

_____e. Leading customers

_____f. Leading accounts

3. Discuss advantages of selling on credit.

____

____

____

____

____

____

4. Discuss disadvantages of selling on credit.

____

____

____

____

____

____

5. Distinguish among types of credit accounts. Write an "R" in the blanks before regular 30-day accounts, an "RV" before revolving accounts, and an "IN" before installment accounts.

_____a. Contract is drawn as per agreement to pay

_____b. Finance charges vary according to amount financed

_____c. Payment is usually due within ten days after the statement date

TEST

_____d. Finance charge is usually added to average balance

_____e. Debt is divided into portions that are payable on specific dates

_____f. Finance charge is usually not added if the account is paid within thirty days after purchase

_____g. Customer pays a pre-established amount every month

_____h. Repossession of collateral may take place if payments are not met

_____i. Customer may continue to purchase merchandise on credit up to a predetermined maximum amount

6. Arrange in order steps used to open credit accounts by rewriting the following statements. Write your answers on the lines provided.

Conduct credit evaluation
Conduct credit interview
Conduct credit investigation
Have customer complete credit application
Accept or reject application

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

7. Select from the following list uses of credit applications. Write an "X" in the blank before each correct answer.

_____a. Serve as a record of customer data until the account is established

_____b. Impress credit applicant with store's formal operations

_____c. Serve as a guide to judge customer

_____d. Aid in credit investigation and evaluation

_____e. Serve as permanent record of customer data

_____f. Aid in leading customers

_____g. Used to give information to other departments in the store

TEST

8. Describe guidelines for conducting a credit interview.

9. Describe steps used in conducting credit investigations.

   a. Contact credit bureau--

TEST

b. Check with employer--

c. Check other credit references--

10. Describe criteria for evaluating credit applications.

11. Discuss rules to follow when accepting or rejecting a credit application.

    a. Notify customer of credit acceptance--

TEST

b. Notify customer of credit rejection--________________________________

____

____

____

____

____

12. Distinguish among federal laws which affect consumer credit. Write a "CP" in the blanks before Consumer Credit Protection Act of 1968, an "FC" before Fair Credit Reporting Act of 1971, a "CC" before Credit Card Issuance Act of 1971, an "FB" before Fair Credit Billing Act of 1975, an "EC" before Equal Credit Opportunity Act of 1975, and a "PA" before Privacy Act of 1974.

______a. Prohibits discrimination in granting any form of credit on the basis of sex or marital status

______b. Sets maximum liability for unauthorized use of credit cards

______c. Specifies procedures for solving disputes with customers over billings and allegations of billing errors

______d. Requires that creditors give customers a written statement of each credit transaction

______e. Amended the Consumer Credit Protection Act of 1968

______f. Gives citizens the right to keep records private, to restrict the use of their social security numbers, and to correct certain records

______g. Tells who can lawfully use a credit report

______h. Regulates consumer credit transactions between sellers and credit buyers

______i. Regulates methods and procedures creditors may use in billing credit card accounts and other revolving credit accounts upon which they may impose finance charges

______j. Allows individuals to challenge and correct information that is out-of-date, inaccurate, or incomplete

______k. Most comprehensive, consumer-oriented credit legislation ever passed in the United States

______l. Outlines responsibilities for businesses to report to customers that a credit check was run, and when that report to the customer must be made

TEST

_____m. Tells what type of information a consumer reporting agency may and may not report

_____n. Prohibits federal agencies from showing records to other agencies unless written permission is granted by the individual

_____o. Regulates issuance of unsolicited credit cards

_____p. Enacted in response to complaints from women that creditors considered single men more credit-worthy than single women and that they would not issue credit to a married woman under her own name

_____q. Places certain responsibilities on all businesses who either issue or use credit bureau reports

_____r. Regulates use of records held by federal agencies to insure that information gained will be used only for the reasons for which it was collected

(NOTE: Test question 13 is an assignment sheet. It is an important part of this test. If it has not been completed, check with your instructor.)

13. Determine whether to grant credit to an applicant.

CREDIT PROCEDURES
UNIT I

ANSWERS TO TEST

1. a. 4
   b. 2
   c. 1
   d. 5
   e. 7
   f. 3
   g. 9
   h. 6
   i. 8
   j. 10
   k. 15
   l. 13
   m. 12
   n. 14
   o. 11
2. a, c, d
3. Discussion should include
   a. Increased sales volume
      1) Encourages customers to buy more freely
      2) Makes large ticket sales easier
   b. Encourages repeat sales
      1) Provides customer convenience
      2) Creates customer loyalty
   c. Provides more even distribution of sales
4. Discussion should include
   a. Ties up capital
   b. Increases operating expenses
      1) Creates increased bookkeeping for accounts receivable
      2) Requires collection follow-up
      3) May increase interest paid for annual working capital
   c. May cause losses due to uncollectable accounts
   d. May cause customers to overbuy

ANSWERS TO TEST

5. a. IN
   b. IN
   c. R
   d. RV
   e. IN
   f. R
   g. RV
   h. IN
   i. RV

6. a. Have customer complete credit application
   b. Conduct credit interview
   c. Conduct credit investigation
   d. Conduct credit evaluation
   e. Accept or reject application

7. b, d, e

8. Description should include
   a. Have a qualified interviewer
   b. Conduct the interview in private office area
   c. Serve the customer's needs
   d. Obtain and retain goodwill of customer
   e. Emphasize value of a good credit rating
   f. Introduce customer to policies of the store
   g. Obtain sufficient information to determine credit risk
      1) Determine the applicant's identity
      2) Ascertain capacity or ability to pay
      3) Determine applicant's character or willingness to pay
      4) Measure applicant's capital or financial resources
      5) Determine if applicant can be compelled to pay
   h. Bring about clear understanding of credit terms
   i. Emphasize wisdom of prompt payment
   j. Tell customer when he/she will be notified that the account has been approved or rejected

ANSWERS TO TEST

   k. Be sure that the applicant has signed the application

   l. Thank the customer

   m. Keep all information confidential

9. Description should include

   a. Contact credit bureau

      1) Most complete source of information on applicant's character, capacity, and capital

      2) Inquiry is permanently recorded on applicant's credit record

      3) Service charge is usually assessed to the store for each inquiry

   b. Check with employer

      1) Verify that applicant is employed

      2) Verify time on the job, and if possible, applicant's income

   c. Check other credit references

      1) Contact current retail creditors for status of accounts

      2) Check with landlord or mortgage company to determine consistency in paying bills

      3) Check with bank and/or credit union to determine status of accounts and financial resources

10. Description should include

    a. Use all available information based on credit application, credit interview, and credit investigation

    b. Determine applicant's ability to pay based on current income and debts

    c. Determine applicant's willingness to pay based on credit bureau report and character

11. Discussion should include

    a. Notify customer of credit acceptance

       1) Show appreciation for customer's business

       2) Be sure that terms are understood and accepted

       3) Stress prompt payment by going over the advantages of using retail credit

       4) Keep credit information confidential

ANSWERS TO TEST

b. Notify customer of credit rejection

   1) Show appreciation for customer's business

   2) Explain reason for rejection

   3) Keep credit information confidential

   4) Suggest alternative credit resources

12.	a.	EC	g.	FC	m.	FC
	b.	CC	h.	CP	n.	PA
	c.	FB	i.	FB	o.	CC
	d.	CP	j.	PA	p.	EC
	e.	FC or CC	k.	CP	q.	FC
	f.	PA	l.	FC	r.	PA

13. Evaluated to the satisfaction of the instructor

CREDIT CARD SERVICES
UNIT II

UNIT OBJECTIVE

After completing this unit, the student should be able to organize and control credit card services within a retail store. This knowledge will be shown by completing the assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with credit card services to their correct definitions.
2. Select from a list charactristics of credit card accounts.
3. Label parts of a credit card.
4. Discuss steps to take when approving credit card purchases.
5. Select from a list circumstances when authorization by the credit department is usually required.
6. Discuss procedures usually followed for processing returns and exchanges of items purchased on credit card accounts.
7. Discuss steps used in preparing a sales draft summary card for bank card accounts.
8. Select from a list steps used in depositing sales draft tickets and credit vouchers into a bank card account.
9. Approve a credit purchase.
10. Prepare a bank deposit for a bank card account.

CREDIT CARD SERVICES
UNIT II

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order materials planned to suppment unit.

(NOTE: These films are available on a free-loan basis to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order from the addresses below.)

1. *Handling Credit Cards*. Color, 10 minutes, NEM, 1975. Available from National Educational Media, 21601 Devonshire Street, Chatsworth, California 91311.

   (NOTE: This film is designed to train students to validate credit card purchases. It stresses good customer relations and proper procedures when dealing with invalid or stolen credit cards; warns of dangers of carelessness in validating credit cards.)

2. *The Money Tree*. Color, 18 minutes, Aims, 1975. Available from Aims Media, Inc., 626 Justin Avenue, Glendale, California 91201.

   (NOTE: This film is an attempt to put students into an "emotional" situation where they can identify with the reality of human experiences and be motivated to discuss monetary and credit problems created by careless consumer spending.)

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

G. Take a field trip through a local bank card operation center. Have students ask questions about operations and careers in the field.

H. Give test.

I. Reteach if necessary.

J. Retest.

SUGGESTED ACTIVITIES

II. Instructional materials

  A. Objective sheet

  B. Suggested activities

  C. Information sheet

  D. Transparency masters

    1. TM #1--Credit Card Accounts

    2. TM #2--Credit Services Vary

  E. Assignment sheets

    1. Assignment Sheet #1--Approve a Credit Purchase

    2. Assignment Sheet #2--Prepare a Bank Deposit for a Bank Card Account

  F. Answers to assignment sheets

  G. Test

  H. Answers to test

III. Unit references

  A. *Distributive Education--Retail Credit.* Austin: University of Texas, 1966.

  B. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

  C. *How to Use Consumer Credit Wisely.* St. Louis: International Consumer Credit Association, 1976.

  (NOTE: International Consumer Credit Association was formerly known as the National Retail Credit Association, founded in 1912.)

  D. U.S. Small Business Administration. *Credit and Collections: Policy and Procedures.* Washington, D.C.: U.S. Government Printing Office, 1980.

  E. U.S. Small Business Administration. *Consumer Credit.* Washington, D.C.: U.S. Government Printing Office, 1980.

  F. *Story of Consumer Credit.* New York, New York: Federal Reserve Bank of New York, 1980.

CREDIT CARD SERVICES
UNIT II

INFORMATION SHEET

I. Terms and definitions

   A. Credit voucher draft--Carbon set form used to record returned merchandise which was originally purchased on credit

   B. Deposit ticket--Form used to put money into a bank account

   C. Finance charge--Cost of purchasing on credit, expressed in terms of dollars and cents, as well as a percent of the amount purchased or borrowed

   D. Imprinter--Manually operated machine which marks sales drafts and credit voucher drafts, using pressure against carbon paper over raised information on a credit card

   E. Render--To make available

   F. Sales draft--Carbon set form on which credit sales transactions are recorded

   G. Sales draft summary card--Form used to summarize sales drafts and credit vouchers when making deposits to a bank card bank

II. Characteristics of credit card accounts (Transparencies #1 and #2)

   A. Credit services vary with type of credit card held

      1. Some cards offer credit only at a particular store

      2. General purpose cards can be used to charge a variety of goods and services

      3. Many bank cards and travel and entertainment cards offer limited loan privileges

   B. Credit plans are similar to regular 30-day accounts and revolving accounts

      1. Customers are usually billed monthly

      2. Finance charge is usually assessed on last month's unpaid balance

      3. Customer may continue to purchase merchandise up to a predetermined credit limit

   C. Some credit card agencies require a membership charge or annual fee

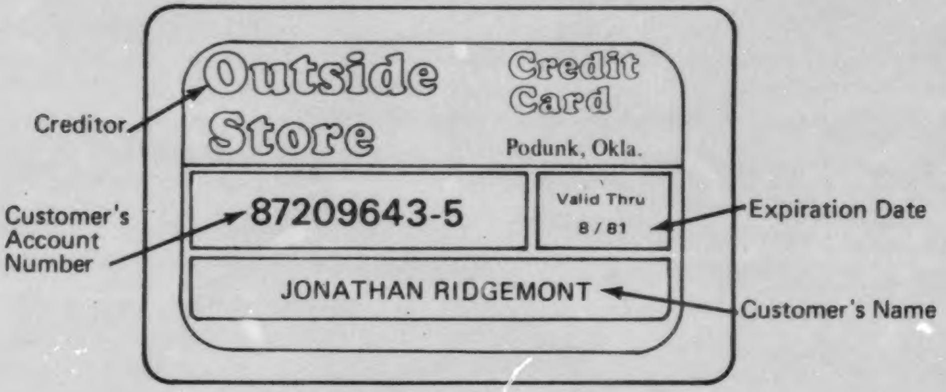
   D. Credit organization handles billing, collection, financing, record keeping, and credits dealers with funds

INFORMATION SHEET

III. Parts of a credit card (Figures 1 and 2)

A. Front of card

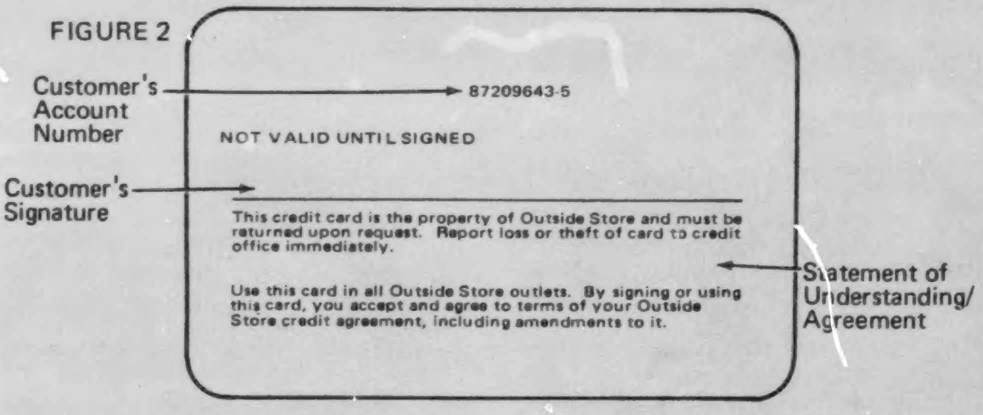
FIGURE 1


Outside Store
Credit Card
Podunk, Okla.
Creditor
87209643-5
Valid Thru
8 / 81
Customer's Account Number
Expiration Date
JONATHAN RIDGEMONT
Customer's Name

1. Creditor's name
2. Customer's account number
3. Customer's name
4. Expiration date

B. Back of card

FIGURE 2


Customer's Account Number
87209643-5
NOT VALID UNTIL SIGNED
Customer's Signature
Statement of Understanding/ Agreement

This credit card is the property of Outside Store and must be returned upon request. Report loss or theft of card to credit office immediately.

Use this card in all Outside Store outlets. By signing or using this card, you accept and agree to terms of your Outside Store credit agreement, including amendments to it.

1. Customer's account number
2. Customer's signature
3. Statement of understanding/agreement

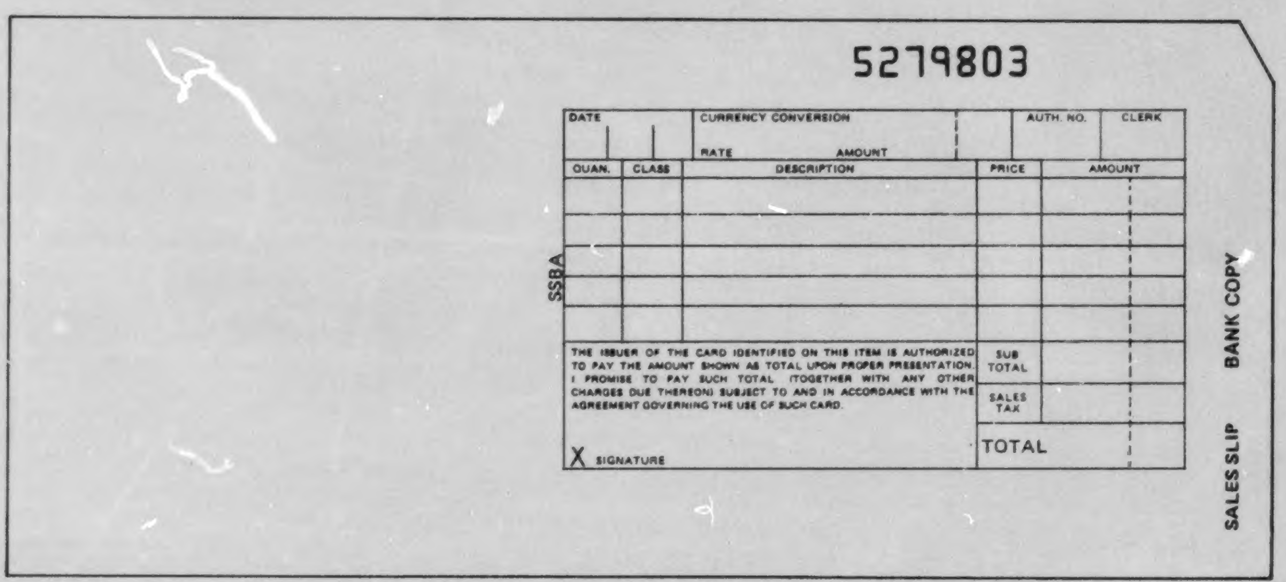
INFORMATION SHEET

IV. Steps to take when approving credit card purchases (Assignment Sheet #1)

A. Check sales draft for completeness and accuracy (Figure 3)

EXAMPLE:

FIGURE 3



5279803

SSBA

DATE	CURRENCY CONVERSION RATE AMOUNT			AUTH. NO.	CLERK
QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT	
THE ISSUER OF THE CARD IDENTIFIED ON THIS ITEM IS AUTHORIZED TO PAY THE AMOUNT SHOWN AS TOTAL UPON PROPER PRESENTATION. I PROMISE TO PAY SUCH TOTAL (TOGETHER WITH ANY OTHER CHARGES DUE THEREON) SUBJECT TO AND IN ACCORDANCE WITH THE AGREEMENT GOVERNING THE USE OF SUCH CARD.			SUB TOTAL		
			SALES TAX		
X SIGNATURE			TOTAL		

BANK COPY

SALES SLIP

Courtesy of Liberty National Bank, Oklahoma City, Oklahoma.

1. Merchandise sold or services rendered are described
2. Prices, tax, and total are correct
3. Date of sale is properly entered
4. Customer has signed the draft

B. Check credit card for acceptability

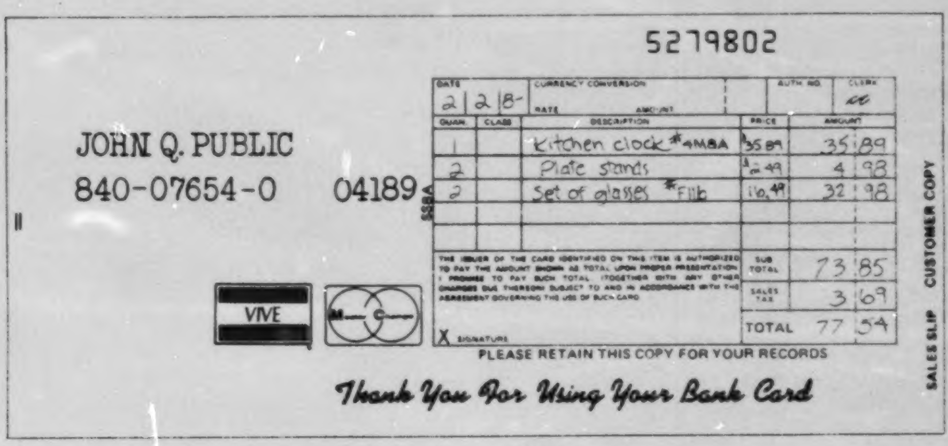
1. Credit is accepted by the store
2. Signature on sales draft and credit card compare
3. Card is not listed in warning bulletins and notices
4. Card is valid, has not passed expiration date

INFORMATION SHEET

C. Check to be sure that the imprinter was effective in printing credit card information onto sales draft (Figure 4)

EXAMPLE:

FIGURE 4



5279802

JOHN Q. PUBLIC
840-07654-0 04189 SSBA

VIVE

DATE 2 | 2 | 8-	CURRENCY CONVERSION RATE AMOUNT		AUTH NO.	CLERK cc
QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT
1		Kitchen clock #4MBA	35.89	35 89
2		Plate stands	2.49	4 98
2		Set of glasses #Flib	16.49	32 98
THE ISSUER OF THE CARD IDENTIFIED ON THIS ITEM IS AUTHORIZED TO PAY THE AMOUNT SHOWN AS TOTAL UPON PROPER PRESENTATION. I PROMISE TO PAY SUCH TOTAL (TOGETHER WITH ANY OTHER CHARGES DUE THEREON) SUBJECT TO AND IN ACCORDANCE WITH THE AGREEMENT GOVERNING THE USE OF SUCH CARD			SUB TOTAL	73 85
			SALES TAX	3 69
X SIGNATURE			TOTAL	77 54

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

Thank You For Using Your Bank Card

SALES SLIP CUSTOMER COPY

Courtesy of Liberty National Bank, Oklahoma City, Oklahoma.

D. Check to be sure that the cashier gives sales draft carbon copy to customer

E. Check to be sure that the cashier gives credit card back to customer

V. Circumstances when authorization by the credit department is usually required

A. Sale is over $50.00

B. Card has expired

C. Order is phoned in or mailed to the store

D. Person other than authorized card holder presents card

E. There is doubt

EXAMPLES: Signatures do not match; card number appears on warning bulletin or notice.

F. Card is not presented at time of purchase

INFORMATION SHEET

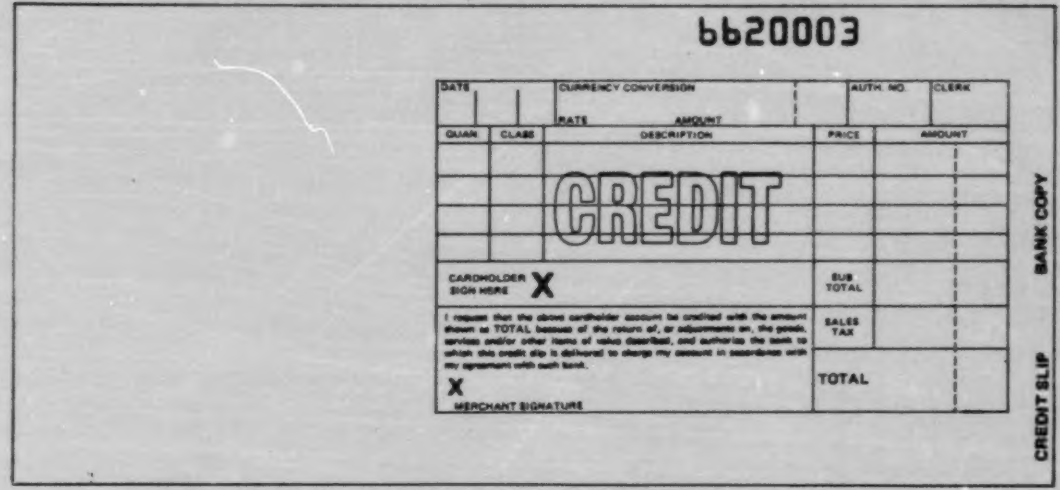
VI. Procedures usually followed for processing returns and exchanges of items purchased on credit card accounts (Assignment Sheet #1)

A. No action is required on an even exchange

B. If a customer exchanges an item for one of less value, or simply returns the item to the store, prepare a credit voucher draft (Figure 5)

EXAMPLE:

FIGURE 5



6620003

DATE	CURRENCY CONVERSION RATE AMOUNT		AUTH. NO.	CLERK

QUAN	CLASS	DESCRIPTION	PRICE	AMOUNT
		CREDIT		

CARDHOLDER SIGN HERE X

SUB TOTAL

I request that the above cardholder account be credited with the amount shown as TOTAL because of the return of, or adjustments on, the goods, services and/or other items of value described, and authorize the bank to which this credit slip is delivered to charge my account in accordance with my agreement with such bank.

SALES TAX

X

MERCHANT SIGNATURE

TOTAL

BANK COPY

CREDIT SLIP

Courtesy of Liberty National Bank, Oklahoma City, Oklahoma.

1. Complete credit voucher draft the same as a sales draft
2. Imprint credit card on the credit voucher draft
3. Check signature with credit card
4. Be sure customer receives copy of credit voucher draft
5. Be sure customer's credit card is returned

C. If a customer exchanges an item for one of greater value, a new sales draft is prepared

(NOTE: There are two common methods for processing this type of exchange.)

1. Write a new sales draft showing the difference between the two amounts and write an explanation on the sales draft

   (NOTE: Tax is charged against the actual selling price of the new item.)

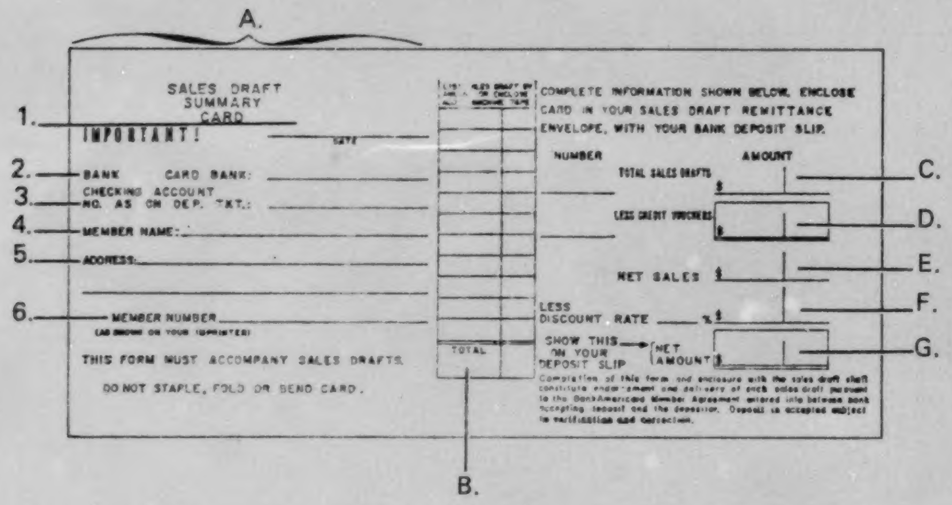
2. Write a credit voucher draft for total amount of original sale and prepare a new sales draft for entire purchase

INFORMATION SHEET

VII. Steps used in preparing sales draft summary card for bank card accounts (Figure 6; Assignment Sheet #2)

(NOTE: Most major banks provide credit services to their customers through use of credit card accounts. VISA and MasterCard are the two most common bank cards used in retail stores.)

FIGURE 6


A.
1.
2.
3.
4.
5.
6.
B.
C.
D.
E.
F.
G.
TOTAL
NUMBER
AMOUNT

SALES DRAFT
SUMMARY
CARD

IMPORTANT!

DATE

BANK CARD BANK:

CHECKING ACCOUNT NO. AS ON DEP. TKT.:

MEMBER NAME:

ADDRESS:

MEMBER NUMBER
(AS SHOWN ON YOUR IMPRINTER)

THIS FORM MUST ACCOMPANY SALES DRAFTS.

DO NOT STAPLE, FOLD OR BEND CARD.

COMPLETE INFORMATION SHOWN BELOW. ENCLOSE CARD IN YOUR SALES DRAFT REMITTANCE ENVELOPE, WITH YOUR BANK DEPOSIT SLIP.

TOTAL SALES DRAFTS $

LESS CREDIT VOUCHERS $

NET SALES $

LESS DISCOUNT RATE ____ % $

SHOW THIS ON YOUR DEPOSIT SLIP → NET AMOUNT $

Completion of this form and enclosure with the sales draft shall constitute endorsement and delivery of each sales draft pursuant to the BankAmericard Member Agreement entered into between bank accepting deposit and the depositor. Deposit is accepted subject to verification and correction.

A. Complete general information section

1. Date--Date that drafts are deposited in the bank
2. Bank card bank--Member bank where store's deposit account is carried
3. Checking account number--Number of store's deposit account
4. Member name--Account to which deposit is made
5. Member address--Store's mailing address
6. Member number--Bank card number assigned to the store

B. List and total individual sales drafts by amount or attach adding machine tape

C. Enter total number of sales drafts submitted and their total amount

D. Enter number of credits and total amount

E. Subtract credits from sales drafts to determine net sales

INFORMATION SHEET

F. Multiply net sales by discount rate to determine amount of discount to be withheld by the bank

(NOTE: The discount rate is charged against the bank card account held by the store. The rate is determined by the total dollar amount of the deposit. At the time this book was published, the rate ranged from 6 percent on a total under $10.00 to 2.25 percent on a total deposit of $80.00 or more.)

G. Subtract amount of discount from net sales to determine net amount to be credited to store's account

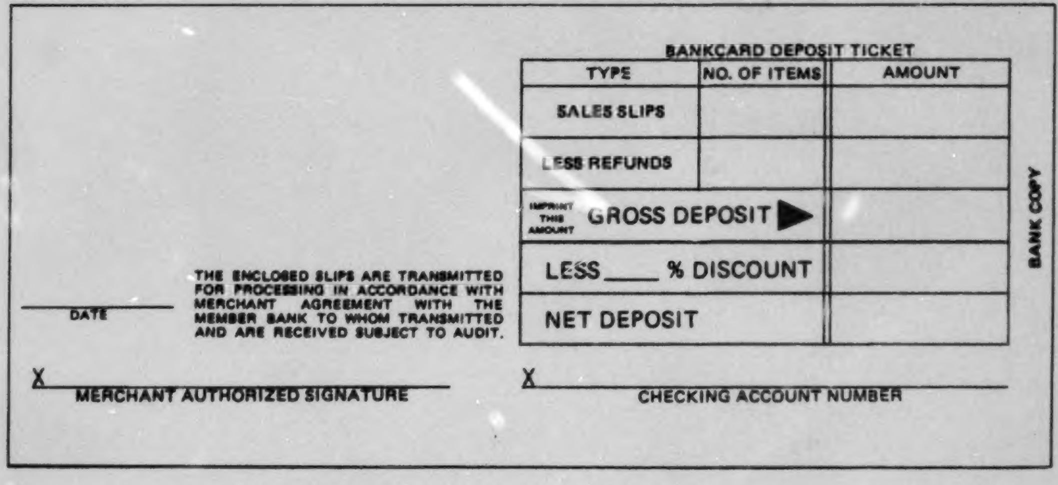
VIII. Steps used in depositing sales draft tickets and credit vouchers into bank card account (Assignment Sheet #2)

(NOTE: Make a separate deposit for bank card drafts only. Do not include sales draft summary card in regular cash deposit.)

A. Complete bank card deposit ticket (Figure 7)

EXAMPLE:

FIGURE 7



BANKCARD DEPOSIT TICKET

TYPE	NO. OF ITEMS	AMOUNT
SALES SLIPS		
LESS REFUNDS		
IMPRINT THIS AMOUNT GROSS DEPOSIT ▶		
LESS ____ % DISCOUNT		
NET DEPOSIT		

BANK COPY

DATE

THE ENCLOSED SLIPS ARE TRANSMITTED FOR PROCESSING IN ACCORDANCE WITH MERCHANT AGREEMENT WITH THE MEMBER BANK TO WHOM TRANSMITTED AND ARE RECEIVED SUBJECT TO AUDIT.

X ____________________ MERCHANT AUTHORIZED SIGNATURE

X ____________________ CHECKING ACCOUNT NUMBER

Courtesy of Liberty National Bank, Oklahoma City, Oklahoma.

1. Date--Date deposit is made
2. Merchant authorized signature--Manager's signature
3. Sales slips--Enter total number of sales drafts submitted and their total amount
4. Less refunds--Enter number of credits and total amount

INFORMATION SHEET

5. Gross deposit--Enter net sales from sales draft summary card

6. Less percent discount--Enter discount percent and amount from sales draft summary card

7. Net deposit--Subtract discount from gross deposit

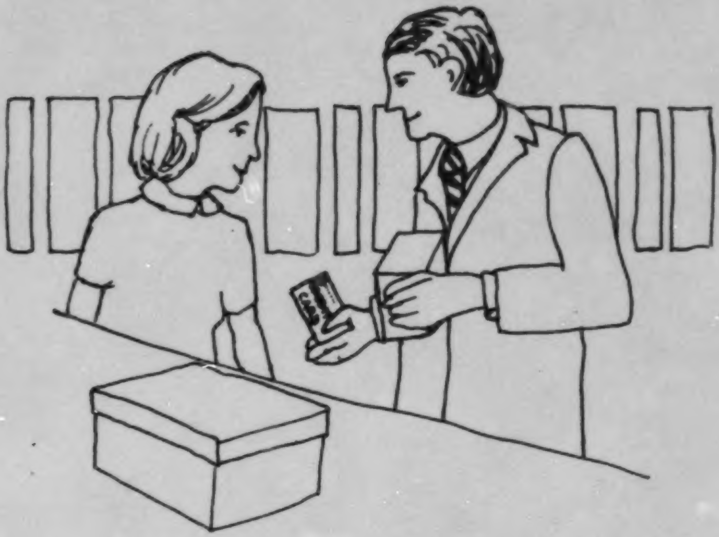
   (NOTE: The result should be same as net amount on sales draft summary card.)

B. Submit sales drafts in bundles of one hundred or less

C. Submit credit voucher drafts in bundles of one hundred or less

D. Take sales drafts, credit voucher drafts, summary card, and deposit ticket to bank for credit

Credit Card Accounts



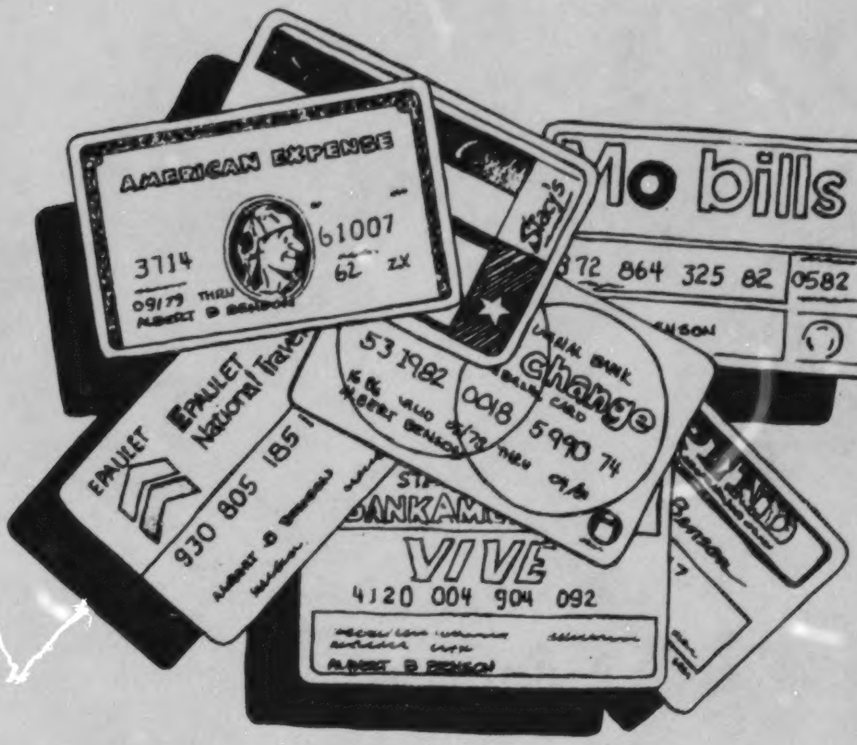
*Credit Services Vary With Type of Credit Card

*Credit Plans are Similar to Regular 30—Day Accounts and Revolving Accounts

*Some Credit Card Agencies Require a Membership Charge or Annual Fee

*Credit Organizations Handle Billing, Collection, Finanancing and Recordkeeping

Credit Services Vary


AMERICAN EXPENSE
3714
61007
62 ZX
09/79 THRU
ALBERT B BENSON
Mo bills
372 864 325 82
0582
Stacy's
EPAULET
EPAULET National Travel
930 805 185 1
53 1982
0018
Change
5990 74
VIVE
4120 004 904 092
ALBERT B BENSON

- *Some Cards Offer Credit Only at a Particular Store
- *General Purpose Cards can be Used to Charge a Variety of Goods and Services
- *Many Bank cards and Travel and Entertainment Cards Offer Limited Loan Privileges

Used with permission of the Federal Reserve Bank of New York.

CREDIT CARD SERVICES
UNIT II

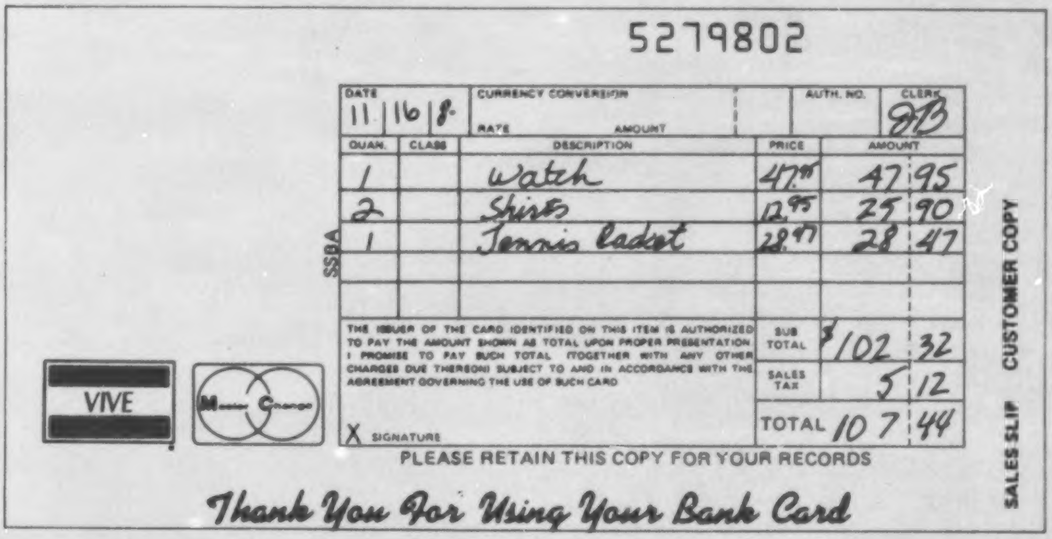
ASSIGNMENT SHEET #1--APPROVE A CREDIT PURCHASE

NAME ______________________________ SCORE ______________

Many problems associated with credit can be avoided through the use of bank cards. In many stores credit arrangements for customers are made available through bank card plans. Under those plans there is little or no commitment of the business' own capital, and the costs and risks of operation and collection are almost entirely the responsibility of the bank. The bank assumes all credit risks, provided that the store follows instructions for approval of credit card purchases. It is important, therefore, for every store which grants bank card credit to its customers to follow a policy of checking credit purchases for completeness and accuracy.

PART I--Answer questions pertaining to a sales draft

In this assignment you are to assume the role of front end manager. You are asked to approve a credit purchase, and the cashier presents this sales draft:



5279802

DATE	CURRENCY CONVERSION RATE / AMOUNT	AUTH. NO.	CLERK
11 | 16 | 8-			JB

QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT
1		Watch	47.95	47.95
2		Shirts	12.95	25.90
1		Tennis Racket	28.47	28.47

THE ISSUER OF THE CARD IDENTIFIED ON THIS ITEM IS AUTHORIZED TO PAY THE AMOUNT SHOWN AS TOTAL UPON PROPER PRESENTATION I PROMISE TO PAY SUCH TOTAL (TOGETHER WITH ANY OTHER CHARGES DUE THEREON) SUBJECT TO AND IN ACCORDANCE WITH THE AGREEMENT GOVERNING THE USE OF SUCH CARD

X SIGNATURE

SUB TOTAL	$102.32
SALES TAX	5.12
TOTAL	107.44

SSBA

VIVE

Master Charge

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

SALES SLIP CUSTOMER COPY

Thank You For Using Your Bank Card

A. What steps should be taken to approve this sales draft?

____

____

____

____

____

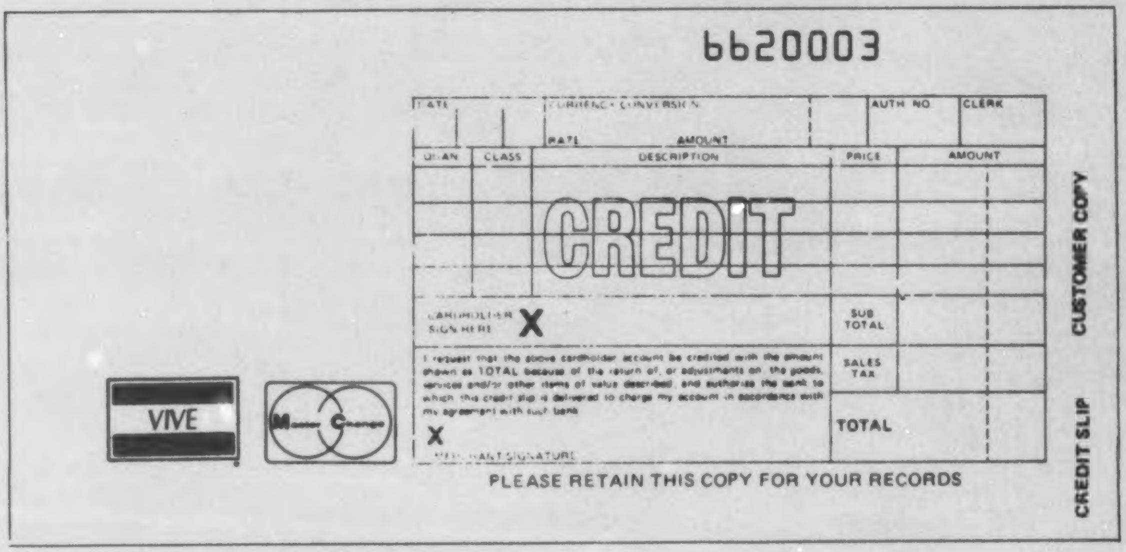
ASSIGNMENT SHEET #1

B. Would you approve the sale as it is presented, assuming all information presented is correct? Why? Why not?

ASSIGNMENT SHEET #1

PART II--Process a credit return or exchange

Assume that the customer returns one of the shirts and exchanges it for one that sells for $18.99. Use the appropriate form(s) to record the transaction.



6620003

DATE | CURRENCY CONVERSION RATE AMOUNT | AUTH NO. | CLERK

QUAN. | CLASS | DESCRIPTION | PRICE | AMOUNT

CREDIT

CARDHOLDER SIGN HERE X

SUB TOTAL

SALES TAX

TOTAL

I request that the above cardholder account be credited with the amount shown as TOTAL because of the return of, or adjustments on, the goods, services and/or other items of value described, and authorize the bank to which this credit slip is delivered to charge my account in accordance with my agreement with such bank

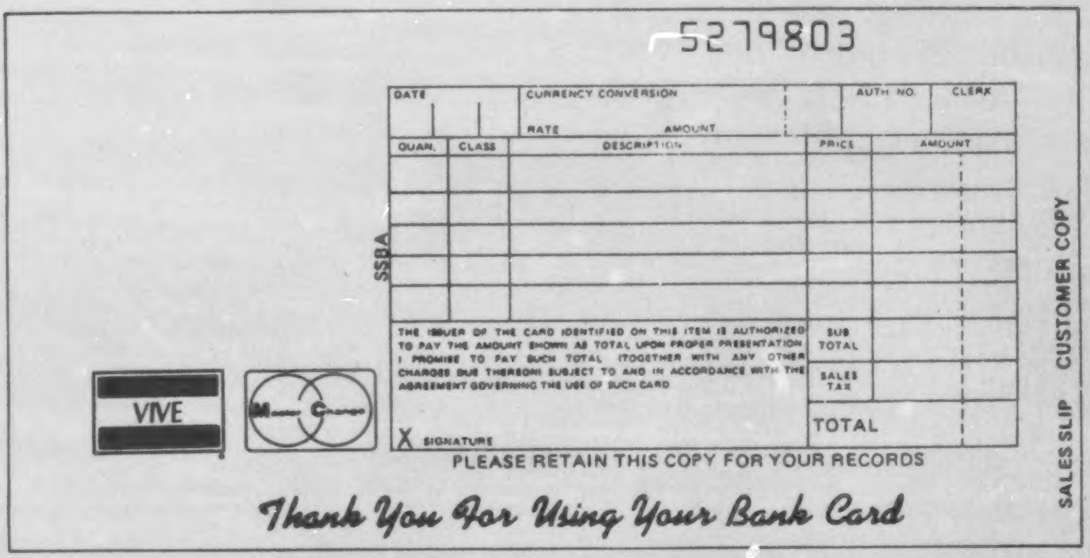
X MERCHANT SIGNATURE

VIVE

Master Charge

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

CREDIT SLIP CUSTOMER COPY



5279803

DATE | CURRENCY CONVERSION RATE AMOUNT | AUTH NO. | CLERK

QUAN. | CLASS | DESCRIPTION | PRICE | AMOUNT

SSBA

THE ISSUER OF THE CARD IDENTIFIED ON THIS ITEM IS AUTHORIZED TO PAY THE AMOUNT SHOWN AS TOTAL UPON PROPER PRESENTATION I PROMISE TO PAY SUCH TOTAL (TOGETHER WITH ANY OTHER CHARGES DUE THEREON) SUBJECT TO AND IN ACCORDANCE WITH THE AGREEMENT GOVERNING THE USE OF SUCH CARD

X SIGNATURE

SUB TOTAL

SALES TAX

TOTAL

VIVE

Master Charge

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

Thank You For Using Your Bank Card

SALES SLIP CUSTOMER COPY

CREDIT CARD SERVICES
UNIT II

ASSIGNMENT SHEET #2--PREPARE A BANK DEPOSIT FOR A BANK CARD ACCOUNT

NAME ______________________________ SCORE ______________

Credit card services are available from most commercial banks. Receipts from bank card purchases can be deposited daily and are immediately credited to the store's account.

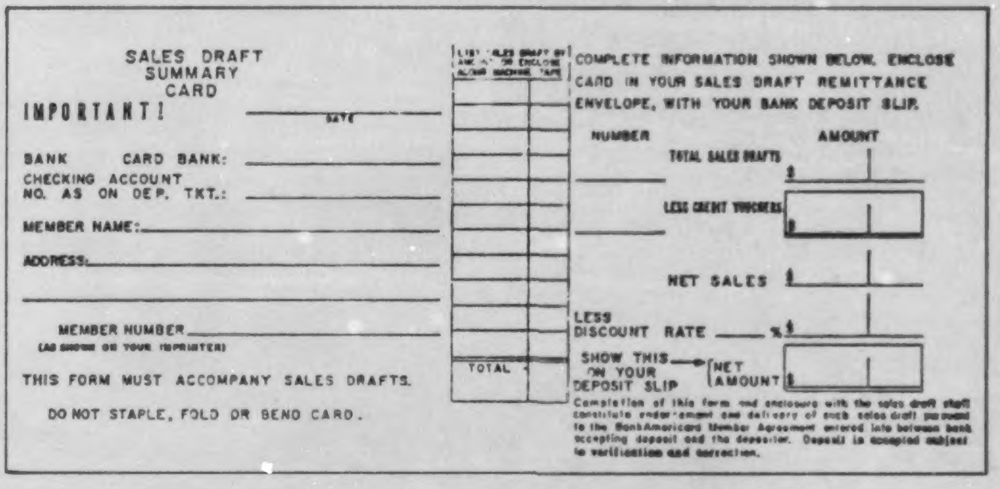
In this assignment you will prepare a bank deposit for a bank card account. Read the problem and record information on the forms provided.

PART I--Complete a sales draft summary card

After closing out the store's cash registers, you determine that $4,027.80 in cash sales were made today, and that ten bank card credit purchases were made during business hours. You have sales drafts for the following amounts: $24.87, $59.48, $16.94, $89.90, $102.61, $78.57, $48.62, $96.18, $28.20, and $34.63. You also have two credit vouchers: $14.12 and $39.82.

Your store's bank account is held at the First City Bank. You have agreed with First City Bank on a 2.25 percent discount rate on all deposits over $80.00.

Complete a sales draft summary card using the form below.



SALES DRAFT
SUMMARY
CARD

IMPORTANT! ____________ DATE

BANK CARD BANK: ____________

CHECKING ACCOUNT NO. AS ON DEP. TKT.: ____________

MEMBER NAME: ____________

ADDRESS: ____________

____

MEMBER NUMBER ____________
(AS SHOWN ON YOUR IMPRINTER)

THIS FORM MUST ACCOMPANY SALES DRAFTS.

DO NOT STAPLE, FOLD OR BEND CARD.

LIST SALES DRAFT BY AMT. OR ENCLOSE ADDING MACHINE TAPE	
TOTAL →	

COMPLETE INFORMATION SHOWN BELOW. ENCLOSE CARD IN YOUR SALES DRAFT REMITTANCE ENVELOPE, WITH YOUR BANK DEPOSIT SLIP.

NUMBER		AMOUNT
______	TOTAL SALES DRAFTS	$
______	LESS CREDIT VOUCHERS	$
	NET SALES	$
	LESS DISCOUNT RATE ____ %	$
	SHOW THIS ON YOUR DEPOSIT SLIP → NET AMOUNT	$

Completion of this form and enclosure with the sales draft shall constitute endorsement and delivery of such sales draft pursuant to the BankAmericard Member Agreement entered into between bank accepting deposit and the depositor. Deposit is accepted subject to verification and correction.

62-F

ASSIGNMENT SHEET #2

PART II--Prepare a deposit ticket for the day's sales

ACME DEPARTMENT STORE
1776 SOUTH STREET
OURTOWN, OK. 70070
664-55-0523

THE ENCLOSED SLIPS ARE TRANSMITTED FOR PROCESSING IN ACCORDANCE WITH MERCHANT AGREEMENT WITH THE MEMBER BANK TO WHOM TRANSMITTED AND ARE RECEIVED SUBJECT TO AUDIT.

____
DATE

X ______________
MERCHANT AUTHORIZED SIGNATURE

BANKCARD DEPOSIT TICKET

TYPE	NO. OF ITEMS	AMOUNT
SALES SLIPS		
LESS REFUNDS		
IMPRINT THIS AMOUNT GROSS DEPOSIT ▶		
LESS ____ % DISCOUNT		
NET DEPOSIT		

BANK COPY

X 040-203026
CHECKING ACCOUNT NUMBER

CREDIT CARD SERVICES
UNIT II

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

PART I

A. Steps should include

1. Check sales draft for completeness and accuracy
    a. Merchandise sold or services rendered are described
    b. Prices, tax, and total are correct
    c. Date of sale is properly entered
    d. Customer has signed the draft
2. Check credit card for acceptability
    a. Credit is accepted by the store
    b. Signature on sales draft and credit card compare
    c. Card is not listed in warning bulletins and notices
    d. Card is valid, has not passed expiration date
3. Check to be sure that the imprinter was effective in printing credit card information onto sales draft
4. Check to be sure that the cashier gives sales draft carbon copy to customer
5. Check to be sure that the cashier gives credit card back to customer

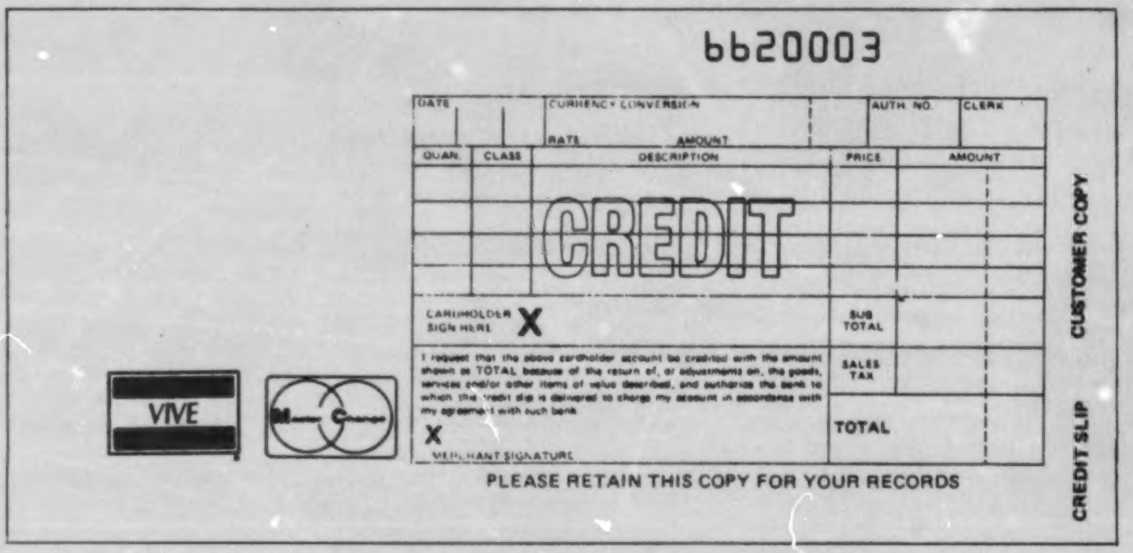
B. No, because the customer has not signed the draft, nor has credit card and sales draft gone through the imprinter

PART II--See forms on next pages

(NOTE: Students have two options for completing this part of the Assignment Sheet. Answers for both options are given.)

ANSWERS TO ASSIGNMENT SHEETS

A.



6620003

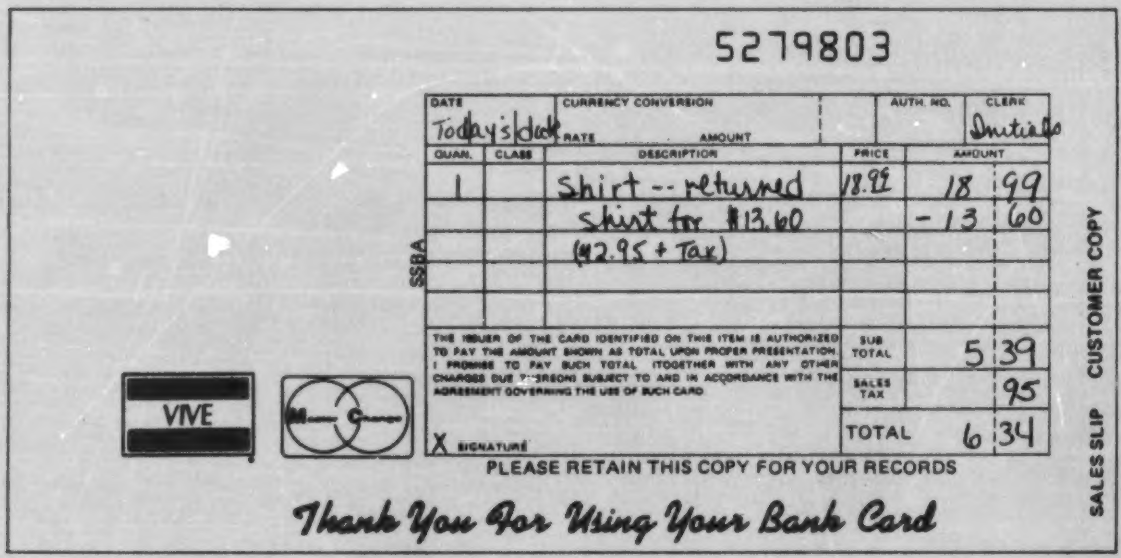
DATE	CURRENCY CONVERSION RATE AMOUNT		AUTH. NO.	CLERK

QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT
		CREDIT		
CARDHOLDER SIGN HERE X			SUB TOTAL	
I request that the above cardholder account be credited with the amount shown as TOTAL because of the return of, or adjustments on, the goods, services and/or other items of value described, and authorize the bank to which the credit slip is delivered to charge my account in accordance with my agreement with such bank. X MERCHANT SIGNATURE			SALES TAX	
			TOTAL	

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

CREDIT SLIP CUSTOMER COPY

VIVE



5279803

DATE Today's date	CURRENCY CONVERSION RATE AMOUNT		AUTH. NO.	CLERK Initials

QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT
1		Shirt -- returned	18.99	18 99
		shirt for $13.60		- 13 60
		($12.95 + Tax)		
THE ISSUER OF THE CARD IDENTIFIED ON THIS ITEM IS AUTHORIZED TO PAY THE AMOUNT SHOWN AS TOTAL UPON PROPER PRESENTATION. I PROMISE TO PAY SUCH TOTAL (TOGETHER WITH ANY OTHER CHARGES DUE THEREON) SUBJECT TO AND IN ACCORDANCE WITH THE AGREEMENT GOVERNING THE USE OF SUCH CARD.			SUB TOTAL	5 39
			SALES TAX	95
X SIGNATURE			TOTAL	6 34

SSBA

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

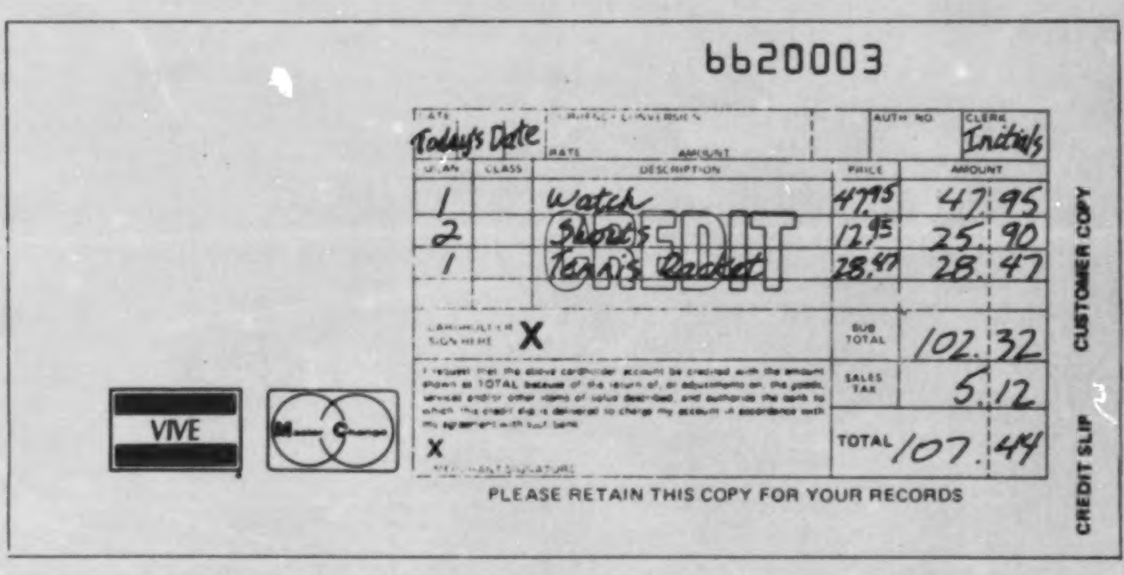
SALES SLIP CUSTOMER COPY

VIVE

Thank You For Using Your Bank Card

ANSWERS TO ASSIGNMENT SHEETS

B.



6620003

DATE	CURRENCY CONVERSION RATE AMOUNT		AUTH NO.	CLERK
Today's Date				Initials

QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT
1		Watch	47.95	47.95
2		Shorts	12.95	25.90
1		Tennis Racket	28.47	28.47
CARDHOLDER SIGN HERE X			SUB TOTAL	102.32
			SALES TAX	5.12
			TOTAL	107.44

CREDIT

I request that the above cardholder account be credited with the amount shown as TOTAL because of the return of, or adjustments on, the goods, services and/or other items of value described, and authorize the bank to which this credit slip is delivered to charge my account in accordance with my agreement with such bank.

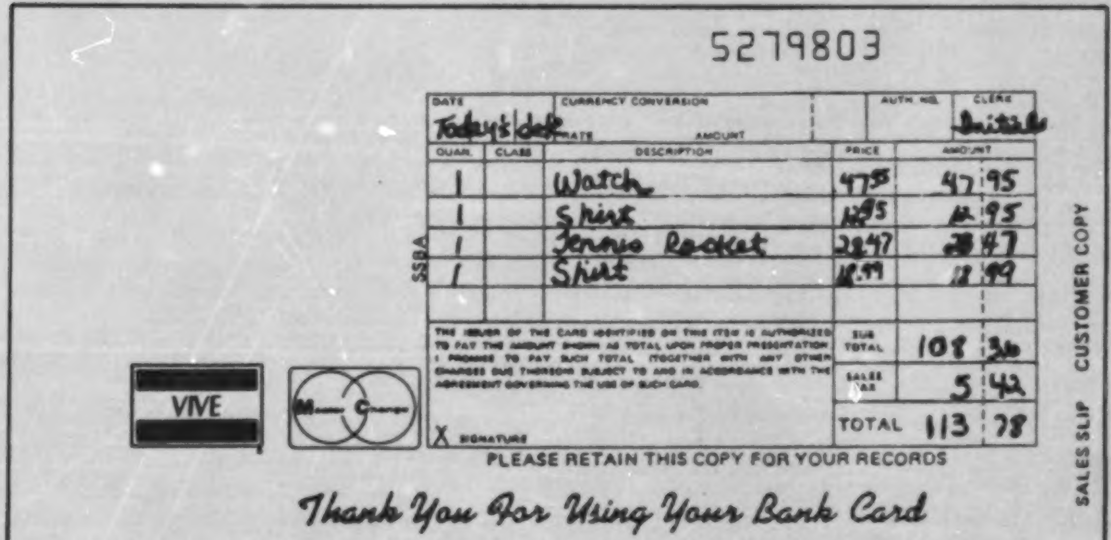
X MERCHANT SIGNATURE

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

CREDIT SLIP CUSTOMER COPY

VIVE

Master Charge



5279803

DATE	CURRENCY CONVERSION RATE AMOUNT		AUTH NO.	CLERK
Today's date				Initials

QUAN.	CLASS	DESCRIPTION	PRICE	AMOUNT
1		Watch	47.95	47.95
1		Shirt	12.95	12.95
1		Tennis Racket	28.47	28.47
1		Shirt	18.99	18.99
			SUB TOTAL	108.36
			SALES TAX	5.42
			TOTAL	113.78

SSBA

THE ISSUER OF THE CARD IDENTIFIED ON THIS ITEM IS AUTHORIZED TO PAY THE AMOUNT SHOWN AS TOTAL UPON PROPER PRESENTATION. I PROMISE TO PAY SUCH TOTAL (TOGETHER WITH ANY OTHER CHARGES DUE THEREON) SUBJECT TO AND IN ACCORDANCE WITH THE AGREEMENT GOVERNING THE USE OF SUCH CARD.

X SIGNATURE

PLEASE RETAIN THIS COPY FOR YOUR RECORDS

SALES SLIP CUSTOMER COPY

VIVE

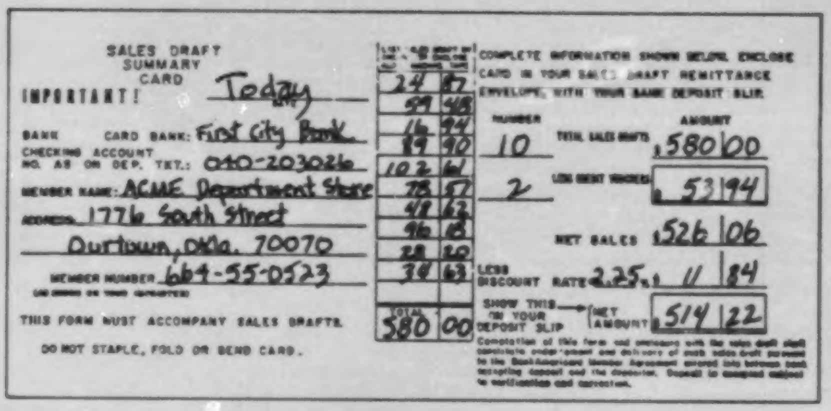
Master Charge

Thank You For Using Your Bank Card

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #2

PART I



SALES DRAFT
SUMMARY
CARD

IMPORTANT! Today

BANK CARD BANK: First City Bank
CHECKING ACCOUNT NO. AS ON DEP. TKT.: 040-203026
MEMBER NAME: ACME Department Store
ADDRESS: 1776 South Street
Ourtown, Okla. 70070
MEMBER NUMBER 664-55-0523

THIS FORM MUST ACCOMPANY SALES DRAFTS.

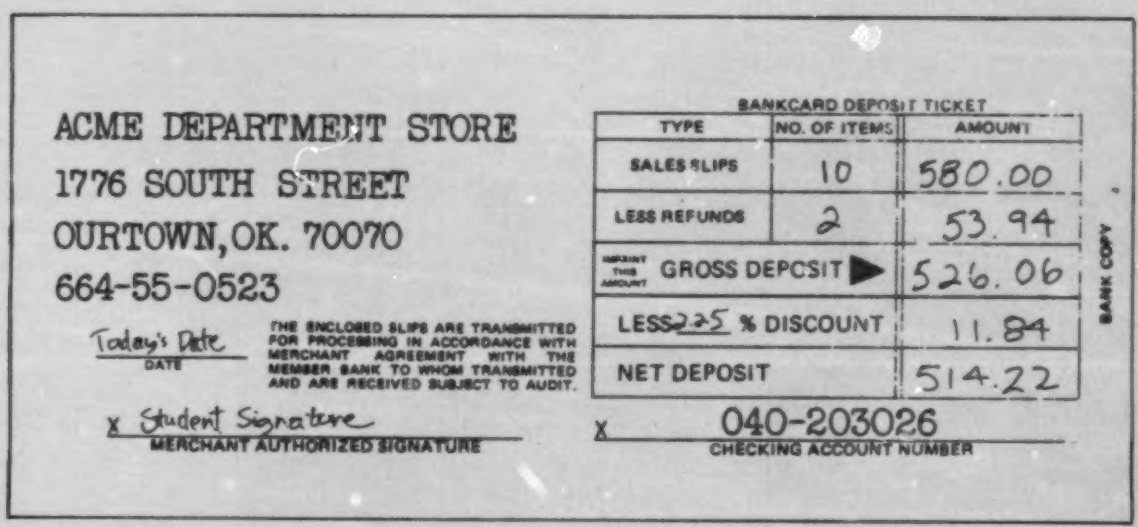
DO NOT STAPLE, FOLD OR BEND CARD.

24	87
59	48
16	94
89	90
102	61
78	57
48	62
96	18
28	20
38	63
TOTAL 580	00

COMPLETE INFORMATION SHOWN BELOW. ENCLOSE CARD IN YOUR SALES DRAFT REMITTANCE ENVELOPE, WITH YOUR BANK DEPOSIT SLIP.

NUMBER		AMOUNT
10	TOTAL SALES DRAFTS	$580.00
2	LESS CREDIT VOUCHERS	$53.94
	NET SALES	$526.06
	LESS DISCOUNT RATE 2.25 %	$11.84
	SHOW THIS ON YOUR DEPOSIT SLIP → NET AMOUNT	$514.22

PART II



ACME DEPARTMENT STORE
1776 SOUTH STREET
OURTOWN, OK. 70070
664-55-0523

Today's Date
DATE

THE ENCLOSED SLIPS ARE TRANSMITTED FOR PROCESSING IN ACCORDANCE WITH MERCHANT AGREEMENT WITH THE MEMBER BANK TO WHOM TRANSMITTED AND ARE RECEIVED SUBJECT TO AUDIT.

x Student Signature
MERCHANT AUTHORIZED SIGNATURE

BANKCARD DEPOSIT TICKET

TYPE	NO. OF ITEMS	AMOUNT
SALES SLIPS	10	580.00
LESS REFUNDS	2	53.94
IMPRINT THIS AMOUNT GROSS DEPOSIT ▶		526.06
LESS 2.25 % DISCOUNT		11.84
NET DEPOSIT		514.22

x 040-203026
CHECKING ACCOUNT NUMBER

BANK COPY

CREDIT CARD SERVICES
UNIT II

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with credit card services to their correct definitions. Write the correct numbers in the blanks.

    _____a. To make available

    _____b. Form used to put money into a bank account

    _____c. Carbon set form on which credit sales transactions are recorded

    _____d. Cost of purchasing on credit, expressed in terms of dollars and cents, as well as a percent of the amount purchased or borrowed

    _____e. Carbon set form used to record returned merchandise which was originally purchased on credit

    _____f. Form used to summarize sales drafts and credit vouchers when making deposits to a bank card bank

    _____g. Manually operated machine which marks sales drafts and credit voucher drafts, using pressure against carbon paper over raised information on a credit card

    1. Credit voucher draft
    2. Deposit ticket
    3. Finance charge
    4. Imprinter
    5. Render
    6. Sales draft
    7. Sales draft summary card

2. Select from the following list characteristics of credit card accounts. Write an "X" in the blank before each correct answer.

    _____a. Some credit card agencies require a membership charge or annual fee

    _____b. Credit organization handles billing, collection, financing, record keeping, and credits dealers with funds

    _____c. Customers are usually billed quarterly

    _____d. Credit services are the same with each type of credit card held

    _____e. General purpose cards can be used to charge a variety of goods and services

    _____f. Credit plans are more similar to installment accounts than to regular 30-day accounts or revolving accounts

TEST

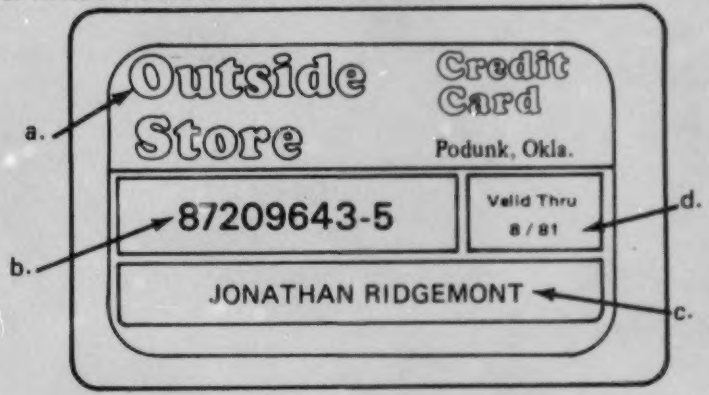
______g. Finance charges are rarely charged against credit card accounts

______h. Some cards offer credit only at a particular store

______i. Many bank cards and travel and entertainment cards offer limited loan privileges

______j. Customers may continue to purchase merchandise as long as they wish; there is usually no pre-determined maximum amount on credit card purchases

3. Label parts of a credit card. Write the correct names in the blanks.

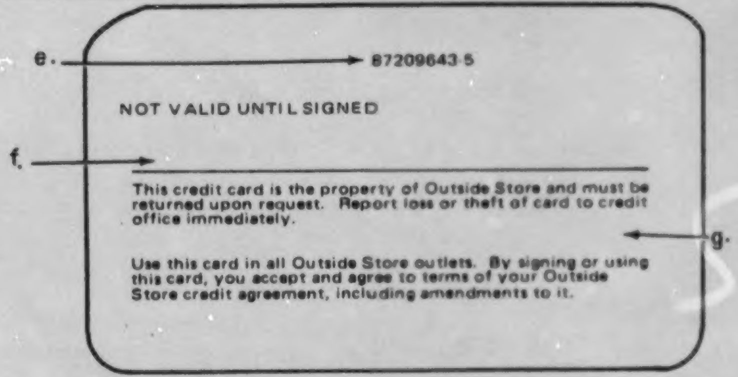

Outside Store
Credit Card
Podunk, Okla.
a.
87209643-5
b.
Valid Thru
8/81
d.
JONATHAN RIDGEMONT
c.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________


e.
87209643-5
NOT VALID UNTIL SIGNED
f.
g.

This credit card is the property of Outside Store and must be returned upon request. Report loss or theft of card to credit office immediately.

Use this card in all Outside Store outlets. By signing or using this card, you accept and agree to terms of your Outside Store credit agreement, including amendments to it.

e. ______________________________

f. ______________________________

g. ______________________________

TEST

4. Discuss steps to take when approving credit card purchases.

5. Select from the following list circumstances when authorization by the credit department is usually required. Write an "X" in the blank before each correct answer.

_____a. Order is phoned in or mailed to the store

_____b. Card has expired

_____c. Authorized card holder presents card

_____d. Card is valid

_____e. Card is not presented at time of purchase

_____f. Sale is over $25.00

_____g. There is doubt

_____h. Person other than authorized card holder presents card

TEST

6. Discuss procedures usually followed for processing returns and exchanges of items purchased on credit card accounts. Write your answer for each situation on the lines provided.

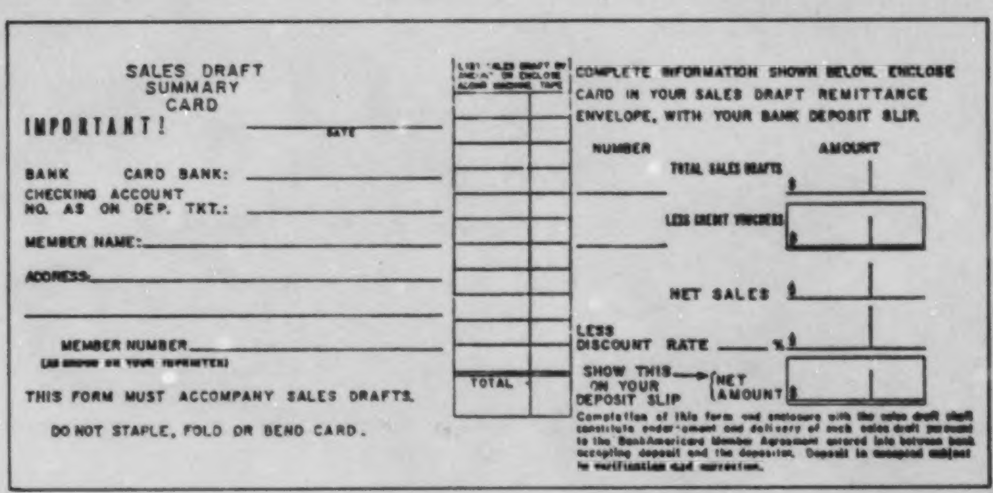
   a. Even exchange of items--____________________

   b. Customer exchanges an item for one of less value or simply returns the item to the store--____________________

   c. Customer exchanges an item for one of greater value--____________________

TEST

7. Discuss steps used in preparing a sales draft summary card for bank card accounts. Refer to the form shown below. Write your answer on the lines provided.



SALES DRAFT
SUMMARY
CARD

IMPORTANT!

__________ DATE

BANK CARD BANK: __________

CHECKING ACCOUNT NO. AS ON DEP. TKT.: __________

MEMBER NAME: __________

ADDRESS: __________

MEMBER NUMBER __________
(AS SHOWN ON YOUR IMPRINTER)

THIS FORM MUST ACCOMPANY SALES DRAFTS.

DO NOT STAPLE, FOLD OR BEND CARD.

LIST SALES DRAFT BY AMOUNT OR ENCLOSE ADDING MACHINE TAPE	
TOTAL	

COMPLETE INFORMATION SHOWN BELOW. ENCLOSE CARD IN YOUR SALES DRAFT REMITTANCE ENVELOPE, WITH YOUR BANK DEPOSIT SLIP.

NUMBER		AMOUNT
______	TOTAL SALES DRAFTS	$
______	LESS CREDIT VOUCHERS	$
	NET SALES	$
	LESS DISCOUNT RATE ____ %	$
SHOW THIS ON YOUR DEPOSIT SLIP →	NET AMOUNT	$

Completion of this form and enclosure with the sales draft shall constitute endorsement and delivery of such sales draft pursuant to the BankAmericard Member Agreement entered into between bank accepting deposit and the depositor. Deposit is accepted subject to verification and correction.

TEST

8. Select from the following list steps used in depositing sales draft tickets and credit vouchers into a bank card account. Write an "X" in the blank before each correct answer.

_____a. Complete bank card deposit ticket--Date, merchant authorized signature, sales slips, less refunds, gross deposit, less percent discount, net deposit

_____b. Submit sales drafts in bundles of fifty or less

_____c. Submit credit voucher drafts in bundles of one hundred or less

_____d. Take sales drafts, credit vouchers, drafts, summary card, and deposit ticket to bank for credit

_____e. Keep the sales draft summary card in the store's office for future reference

(NOTE: Test questions 9 and 10 are the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

9. Approve a credit purchase.

10. Prepare a bank deposit for a bank card account.

CREDIT CARD SERVICES
UNIT II

ANSWERS TO TEST

1. a. 5 e. 1
   b. 2 f. 7
   c. 6 g. 4
   d. 3
2. a, b, e, h, i
3. a. Creditor's name
   b. Customer's account number
   c. Customer's name
   d. Expiration date
   e. Customer's account number
   f. Customer's signature
   g. Statement of understanding/agreement
4. Discussion should include
   a. Check sales draft for completeness and accuracy
      1) Merchandise sold or services rendered are described
      2) Prices, tax, and total are correct
      3) Date of sale is properly entered
      4) Customer has signed the draft
   b. Check credit card for acceptability
      1) Credit is accepted by the store
      2) Signature on sales draft and credit card compare
      3) Card is not listed in warning bulletins and notices
      4) Card is valid, has not passed expiration date
   c. Check to be sure that the imprinter was effective in printing credit card information onto sales draft

ANSWERS TO TEST

   d. Check to be sure that the cashier gives sales draft carbon copy to customer

   e. Check to be sure that the cashier gives credit card back to customer

5. a, b, e, g, h

6. Discussion should include

   a. No action is required

   b. Prepare a credit voucher draft

      1) Complete credit voucher draft the same as a sales draft

      2) Imprint credit card on the credit voucher draft

      3) Check signature with credit card

      4) Be sure customer receives copy of credit voucher draft

      5) Be sure customer's credit card is returned

   c. Prepare a new sales draft--one of the following

      1) Write a new sales draft showing the difference between the two amounts and write an explanation on the sales draft

      2) Write a credit voucher draft for the amount of the original sale and prepare a new sales draft for entire purchase

7. Discussion should include

   a. Complete general information section

      1) Date--Date that drafts are deposited in the bank

      2) Bank card bank--Member bank where store's deposit account is carried

      3) Checking account number--Number of store's deposit account

      4) Member name--Account to which deposit is made

      5) Member address--Store's mailing address

      6) Member number--Bank card number assigned to the store

   b. List and total individual sales drafts by amount or attach adding machine tape

   c. Enter total number of sales drafts submitted and their total amount

   d. Enter number of credits and total amount

ANSWERS TO TEST

  e. Subtract credits from sales drafts to determine net sales

  f. Multiply net sales by discount rate to determine amount of discount to be withheld by the bank

  g. Subtract amount of discount from net sales to determine net amount to be credited to store's account

8. a, c, d

9. Evaluated to the satisfaction of the instructor

10. Evaluated to the satisfaction of the instructor

COLLECTION PROCEDURES
UNIT III

UNIT OBJECTIVE

After completing this unit, the student should be able to control credit collection operations within a retail store. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with collection procedures to their correct definitions.
2. State major objectives of a good collection policy.
3. Select from a list reasons for establishing sound collection policies.
4. Match ways to control credit accounts to their appropriate activities.
5. Discuss the collection sequence usually used in retail stores.
6. Distinguish between characteristics of sequential collection letters.
7. Select from a list true statements about referring accounts to a collection agency.
8. State judgments involving credit liability.
9. Analyze accounts receivable by aging.
10. Solve a management case study.
11. Write a series of collection letters.

COLLECTION PROCEDURES
UNIT III

SUGGESTED ACTIVITIES

I. Suggested activities

- A. Order films, games, and other materials to supplement unit.
    1. *To Your Credit.* Color, 18 minutes, General Mills, 1975. Available from General Mills, 9200 Wayzata Boulevard, Box 1113, Minneapolis, Minnesota 55440.

        (NOTE: This film explains some of the pressures, problems, and conflicts that can arise from poor household credit management. It is available on a free-loan basis to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order the film from the address listed.)

    2. *"Truth in Lending."* Pamphlet, 1977, Federal Deposit Insurance Corporation, 550 17th Street Northwest, Washington, D.C. 20429.

        (NOTE: This pamphlet discusses the major points of the Truth in Lending laws.)

- B. Provide students with objective sheet.
- C. Provide students with information and assignment sheets.
- D. Discuss unit and specific objectives.
- E. Discuss information and assignment sheets.
- F. Invite a representative from a collection agency to talk to the class about collection procedures from the agency standpoint.
- G. Give test.
- H. Reteach and retest if necessary.

II. Instructional materials

- A. Objective sheet
- B. Suggested activities
- C. Information sheet
- D. Assignment sheets
    1. Assignment Sheet #1--Analyze Accounts Receivable By Aging
    2. Assignment Sheet #2--Solve a Management Case Study

SUGGESTED ACTIVITIES

3. Assignment Sheet #3--Write a Series of Collection Letters

E. Answers to assignment sheets

F. Test

G. Answers to test

III. Unit references

A. *Distributive Education--Retail Credit.* Austin: University of Texas, 1966.

B. Everard, Kenneth E., and Bernard A. Shilt, *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

C. *How to Use Consumer Credit Wisely.* St. Louis: International Consumer Credit Association, 1976.

D. *Story of Consumer Credit.* New York: Federal Reserve Bank of New York, 1980.

E. U.S. Small Business Administration. *Consumer Credit.* Washington, D.C.: U.S. Government Printing Office, 1980.

F. U.S. Small Business Administration. *Credit and Collections: Policy and Procedures.* Washington, D.C.: U.S. Government Printing Office, 1980.

COLLECTION PROCEDURES
UNIT III

INFORMATION SHEET

I. Terms and definitions

A. Aging accounts--Process of classifying accounts receivable according to the length of time the balance due on an account has been outstanding

B. Account receivable--Money customers owe a business

C. Attach--To take another's property by legal action

D. Bad debt--An uncollectable credit account/receivable

E. Balance due--Amount necessary to pay off an account receivable

F. Collateral--Property used as security for a loan

G. Collection agency--Business established to collect past-due accounts receivable on behalf of creditors

H. Conditional sales contract--Agreement by two parties to buy and sell an item under certain conditions

(NOTE: Title of the item is not given over to the buyer until final payment is made.)

I. Credit risk--Chance of taking a loss through non-collection of a credit account

J. Creditor--One who sells on credit

K. Debtor--One who purchases goods or services from a creditor

L. Delinquent account--Account which is past due in payment

M. Garnishee--To attach a debtor's wages by giving written notice that such action is in order

(NOTE: In Oklahoma, the creditor must request garnishment each pay period until the debt is paid in full. The debtor's employer is ordered to hold a certain amount of the debtor/employee's wages only for the pay period documented by the creditor.)

N. Judgment--Decision rendered in a court of law

O. Lien--Statement of a creditor's right to take and hold or sell a debtor's property as security or payment of a debt

P. Outstanding account--Account that has a balance due

Q. Repossession--Article which is sold under a conditional sales contract and taken back by the store because payments are delinquent

INFORMATION SHEET

R. Small claims court--Public forum designed to handle cases involving debt payments and possession of personal property

(NOTE: Small claims courts are more informal than regular courts. Parties may or may not have lawyers represent them. In Oklahoma there is a $1,000 limit to the amount of money or value of property which can be asked for within a small claims court.)

S. Uncollectable account--Credit account upon which payment is not made; bad debt expense for the business

II. Major objectives of a good collection policy

(NOTE: Good collection begins with good salespeople. It is important to provide customers with a clear explanation of credit policies at the time of the sale.)

A. To collect money owed to the store

B. To retain customers' goodwill toward the store

III. Reasons for establishing sound collection policies

A. The older the account, the harder it is to collect

B. Operating expenses are increased when the store has to carry unpaid accounts

C. Customers may develop slow payment practices if an effective collection procedure is not enforced

D. Customers have a tendency to respect businesses which use courteous, yet sound, collection procedures as outlined in the original credit agreement

E. Increased bad-debt losses may result if the store does not establish sound collection policies

IV. Ways to control credit accounts (Assignment Sheet #1)

A. Establish system to authorize credit sales

1. Sign credit statements

2. Call credit department for approval

3. Require proper customer identification

EXAMPLES: Credit card, driver's license

B. Record all charge sales and bill customers

1. Post charges to ledgers daily

2. Send monthly statements according to billing cycle

INFORMATION SHEET

- C. Age accounts receivable monthly (Assignment Sheet #1)
  1. Point out accounts past due and how long past due
  2. Analyze seriously delinquent accounts
  3. Use to indicate trends of collections
  4. Use as a collection follow-up work sheet
  5. Indicate which accounts should be restricted from further buying on credit terms

V. Collection sequence usually used in retail stores

- A. Give copy of invoice to customer at time purchase is made
- B. Send copy of invoice to credit department
- C. Send monthly statements to customers; include amount owed and summarize any activity in the account during the month
- D. If account is not paid according to terms, send written reminder(s) that payment is past due

  (NOTE: Telephone calls may be used to follow up collection letters. Telephone usage adds flexibility to collection procedure.)
  1. Form letters may be used initially but must become personal as account ages
  2. Letters should progressively become more forceful and direct, suggesting more serious action being taken each time
- E. Send representative to collect payment
  1. Personal contact is used for more difficult collection problems
  2. Personal contact is an expensive means of collection
- F. Hire a collection agency to collect amount due
- G. Take customer to court

  (NOTE: Court action may be avoided if initial action is prompt and strong.)
  1. Most collection cases are handled in small claims court
  2. Court cases are costly and time consuming

INFORMATION SHEET

VI. Characteristics of sequential collection letters (Assignment Sheets #2 and #3)

A. First letter--Write when account is approximately 30 days past due

EXAMPLE:

September 15, 1982

Dear Mr. Adams:

According to our records, your current balance due is $473.25. Of this amount, $215.38 is more than 30 days past due. As you know, our normal terms require payment within 30 days after the invoice is sent to you.

Since you have established an excellent credit rating with us in the past, we are surprised to see a problem arise at this time. If there is some error, or you are unable to pay the amount due immediately, please contact me so that we can correct the situation or make suitable arrangements for prompt payment of this obligation.

Thank you for your attention to this request. If payment has been made recently, please disregard this notice.

Very truly yours,

Jim Madison

Jim Madison

1. Tone of letter should be moderate
2. Tell customer amount owed and time past due
3. Encourage customer to contact store to make suitable arrangements for payment or to correct possible error

INFORMATION SHEET

B. Second letter--Write when account is 60 days past due

EXAMPLE:

October 15, 1982

Dear Mr. Adams:

We have not received any response from our statements of the last two months nor to our letter of September 15. Your entire account is now 60 days overdue, and you owe us a total of $473.25.

If there is some reason why this payment cannot be made immediately, please contact us so that we can make arrangements that will be mutually agreeable. Perhaps we can work out a payment schedule that would be realistic for your present circumstances.

Naturally, we do not want to endanger your credit rating or destroy the good relationship that we have maintained in the past. Therefore, would you please take care of this obligation immediately so that we will not have to file an unfavorable report with the credit bureau or resort to the use of a collection agency or an attorney.

We have enclosed a self-addressed envelope for your convenience. Please return it as soon as possible with your check for the balance owed. If payment has been made recently, please disregard this notice.

Very truly yours,

Jim Madison

Jim Madison

1. Tone of letter should be direct
2. Tell customer amount owed and time past due
3. Ask to make arrangements to work out payment
4. Tell customer that the store does not want to have to make an unfavorable report to the credit bureau nor to contact a collection agency

INFORMATION SHEET

C. Third letter--Write when account is 90 days past due

EXAMPLE:

November 15, 1982

Dear Mr. Adams:

We still have no response from our statements of the past three months nor from the letters that we sent you on September 15 and October 15.

Your entire account is now seriously past due! It is obvious that our efforts to clear the account on a mutually agreeable basis have had no impact. Unless we receive a payment from you within seven days, or can work out a mutually agreeable arrangement to discharge this obligation, we will have to report the matter to the retail credit bureau.

Subsequently, the account will be turned over to a collection agency or to our attorneys for further action. Since this is a costly procedure for both of us, and will cause serious damage to your credit rating, I would suggest that you call immediately so that we can clear the matter at once without resorting to such procedures.

Very truly yours,

Jim Madison

Jim Madison

1. Tone of letter is forceful
2. Indicate that the account is seriously past due
3. Tell customer the account will be reported to the credit bureau
4. Tell customer that it would be costly for both parties to have to take the matter to court

   (NOTE: Do not make idle threats; follow up on all action indicated in the collection letter.)

VII. Referring accounts to a collection agency

A. Collection agencies offer experience and knowledge in persuasive collection techniques

B. Debtors are usually anxious to clear accounts referred to collection agencies

INFORMATION SHEET

C. Collection agencies' fees are usually based on a percentage of each account collected

(NOTE: According to the Small Business Administration, 1980, percentages usually run between 25 and 50 percent, depending upon the size of the account or the total dollar volume of accounts referred to the agency for collection.)

D. Store is committed to pay the agency fee on all referred accounts, regardless of whether the customer pays the store or the agency

E. Collection agencies are usually very effective, yet expensive

VIII. Judgments involving credit liability

A. Court may attach customer's personal property and hold it until the debt is paid, or sell the property in order to satisfy the debt

B. Court may order that the store garnishee the customer's wages for payment

C. Court may order repossession of property sold under conditional sales contract

COLLECTION PROCEDURES
UNIT I

ASSIGNMENT SHEET #1--ANALYZE ACCOUNTS RECEIVABLE BY AGING

NAME ______________________ SCORE ____________

It is a fact of business operations that if a store grants credit to its customers, not every account will be paid on time every month. The longer an account is past due, the more serious the problem becomes. Managers, therefore, should be aware of the aging process which is used to determine problem accounts and the point at which corrective action is required. The process of aging accounts receivable divides each customer's account into amounts due/past due. They are arranged in order as 0-30 days old (current); 31-60 days old (past due); 61-90 days old (past due); and, over 90 days old (past due).

In this assignment, you will analyze accounts receivable by aging.

EXAMPLE:

NAME	Total	0-30 days	31-60 days	61-90 days	Over 90 days
J. Doe	$102.55	$21.14	$36.42	$10.89	$34.10
D. Weathers	37.89		17.54	20.35	
C. Murrat	84.47	32.18	31.07	21.22	
W. Hicks	15.29	15.29			
Totals	$240.20	$68.61	$85.03	$52.46	$34.10
% of Base	100%	28.6%	35.4%	22%	14%

The first account shown, J. Doe, has a total outstanding of $102.55. Of this amount, $21.14 is 0-30 days old; $36.42 is 31-60 days old; $10.89 is 61-90 days old; and, $34.10 is over 90 days old. Prompt corrective action is necessary in this case. In addition to identifying individual problem accounts, aging receivables is often used to calculate the percentage of total accounts receivable in each age group. This information may alert management when past due accounts reach the point of being excessive. If, for example, the manager knew from past records that receivables 61-90 days past due were seldom more than 9 percent of total receivables, the 22 percent indicated here would suggest a situation where possible serious losses may occur and corrective action is necessary.

ASSIGNMENT SHEET #1

PART I--Prepare a receivables aging table

A. Post the following information on the receivables table provided below

1. B. Davis--$35.90, 0-30 days old; $56.12, 31-60 days old; $22.48, 61-90 days old; and, $33.33, over 90 days old
2. M. Black--$74.91 over 90 days past due
3. J. Ballone--$22.40, 0-30 days old
4. K. Lieurance--$15.87, 31-60 days old
5. G. Huber--$52.47, 0-30 days old
6. M. Cox--$41.36, 31-60 days old; $38.67, 61-90 days old; and $40.78, over 90 days old
7. D. Frank--$55.74, 0-30 days old; $37.10, 31-60 days old
8. M. Mannor--$31.26, 0-30 days old

NAME	Total	0-30 days	31-60 days	61-90 days	Over 90 days
Totals					
% of Base					

ASSIGNMENT SHEET #1

PART II--Post totals on aging table

A. Calculate total due for each customer. Write your answer on the aging table

B. Calculate total for each age group. Write your answer on the aging table

PART III--Calculate percentage of total receivables

A. Use total receivables as base, or 100 percent

B. Divide total of each age group by the total receivables amount to determine percentage of total receivables

EXAMPLE: (NOTE: Refer to example on first page of this assignment.)

$240.20 = total receivables
$ 68.61 = total receivables 0-30 days past due

$ 68.61 ÷ $240.20 = .285 or 28.6%

C. Write your answers for each age group on the aging table

PART IV--Analyze receivables aging table

(NOTE: Refer to the table to determine your answers.)

A. Which accounts are current? ______________________________

____

____

B. What percentage of total receivables are past due? ______________________

____

C. What action should be taken with B. Davis? ______________________

____

____

____

D. How would you interpret M. Black's account? ______________________

____

____

____

____

COLLECTION PROCEDURES
UNIT III

ASSIGNMENT SHEET #2--SOLVE A MANAGEMENT CASE STUDY

NAME ______________________________ SCORE ______________

The older a past-due account becomes, the harder it is to collect. It is, therefore, necessary for businesses which grant credit to their customers to practice effective collection policies.

In this case study, you are required to read the situation and decide how you would react.

PART I--Read the case study.

Howard Thomas has been a valued credit customer for three years. During that period, he has been very good about making payments on his account.

Following a monthly aging of accounts, you notice that Mr. Thomas' account has $78.34, fifteen days past due. You have telephoned the Thomas residence to talk with Mr. Thomas about his delinquent account, but you have received no answer. On the following monthly statement, you were sure to place an attention-getting sticker next to the amount past due. Mr. Thomas has still made no effort to pay his debt, which is now 45 days past due.

PART II--How would you react?

A. Identify the true problem.

____

____

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____

____

B. Gather information.

____

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ASSIGNMENT SHEET #2

C. List possible solutions.

D. Evaluate probable results of each solution.

E. Decide on the best solution.

COLLECTION PROCEDURES
UNIT III

ASSIGNMENT SHEET #3--WRITE A SERIES OF COLLECTION LETTERS

NAME ______________________________ SCORE ______________

One of the most popular means of collecting past-due accounts is to write a series of collection letters. Usually the series is in three parts. The first is written in a moderate tone and encourages customer goodwill; the second has a stronger tone and indicates some outside action may take place if the account is not paid; the third is written in a forceful tone and indicates the nature of the outside collection measure planned and the date that plan will be initiated.

In this assignment you will write a series of collection letters based on the case study in Assignment Sheet #2.

Directions: Use a separate sheet of paper for each letter. Use the case study in Assignment Sheet #2 and the Information Sheet for reference.

PART I--Write a first collection letter to Mr. Thomas

PART II--Write a second collection letter to Mr. Thomas

PART III--Write a final collection letter to Mr. Thomas

COLLECTION PROCEDURES
UNIT III

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

(NOTE: Answers to Part I, Part II, and Part III should appear on the aging table provided. When all parts are completed, the aging table should appear as follows.)

NAME	Total	0-30 days	31-60 days	61-90 days	Over 90 days
B. Davis	$147.83	$ 35.90	$ 56.12	$22.48	$ 33.33
M. Black	74.91				74.91
J. Ballone	22.40	22.40			
K. Lieurance	15.87		15.87		
G. Huber	52.47	52.47			
M. Cox	120.81		41.36	38.67	40.78
D. Frank	92.84	55.74	37.10		
M. Mannor	31.26	31.26			
Totals	$558.39	$197.77	$150.45	$61.15	$149.02
% of Base	100%	35%	27%	11%	27%

PART IV

A. J. Ballone; G. Huber; M. Mannor

B. 65% (27% + 11% + 27% = 65%)

C. Allow cash sales only as he or she continues to purchase merchandise from the store. Contact him or her regarding the current status of account and request payment

D. M. Black has probably quit shopping at the store altogether. His or her account will probably end up as an uncollectable account expense for the business

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3--Evaluated to the satisfaction of the instructor

COLLECTION PROCEDURES
UNIT III

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with collection procedures to their correct definitions. Write the correct numbers in the blanks.

_____a. One who purchases goods or services from a creditor

_____b. One who sells on credit

_____c. An uncollectable credit account/receivable

_____d. Chance of taking a loss through non-collection of a credit account

_____e. Process of classifying accounts receivable according to the length of time the balance due on an account has been outstanding

_____f. Money customers owe a business

_____g. To take another's property by legal action

_____h. Amount necessary to pay off an account receivable

_____i. Business established to collect past-due accounts receivable on behalf of creditors

_____j. Property used as security for a loan

_____k. Agreement by two parties to buy and sell an item under certain conditions

_____l. Account which is past due in payment

_____m. Public forum designed to handle cases involving debt payments and possession of personal property

_____n. Statement of a creditor's right to take and hold or sell a debtor's property as security or payment of a debt

_____o. To attach a debtor's wages by giving written notice that such action is in order

_____p. Credit account upon which payment is not made; bad debt expense for the business

1. Aging accounts
2. Account receivable
3. Attach
4. Bad debt
5. Balance due
6. Collateral
7. Collection agency
8. Conditional sales contract
9. Credit risk
10. Creditor
11. Debtor
12. Delinquent account
13. Garnishee
14. Uncollectable account
15. Lien
16. Small claims court
17. Repossession
18. Outstanding account
19. Judgment

TEST

______ q. Article which is sold under a conditional sales contract and taken back by the store because payments are delinquent

______ r. Account that has a balance due

______ s. Decision rendered in a court of law

2. State major objectives of a good collection policy.

a. ____

____

b. ____

____

3. Select from the following list reasons for establishing sound collection policies. Write an "X" in the blank before each correct answer.

______ a. Operating expenses are decreased when the store carries unpaid accounts

______ b. Customers have a tendency to respect businesses which use courteous, yet sound, collection procedures as outlined in the original credit agreement

______ c. The older the account, the easier it is to collect

______ d. Customers are likely to develop prompt payment practices if an effective collection procedure is not enforced

______ e. Decreased bad-debt losses may result if the store does not establish sound collection policies

4. Match ways to control credit accounts to their appropriate activities. Write the correct numbers in the blanks. Answers may be used more than once. Activities are continued on the next page.

______ a. Analyze seriously delinquent accounts

______ b. Use as a collection follow-up work sheet

______ c. Sign credit statements

______ d. Send monthly statements according to billing cycle

______ e. Post charges to ledgers daily

______ f. Require proper customer identification

______ g. Point out accounts past due and how long past due

1. Establish system to authorize credit sales
2. Record all charge sales and bill customers
3. Age accounts receivable monthly

TEST

_____h. Call credit department for approval

_____i. Use to indicate trends of collections

_____j. Indicate which accounts should be restricted from further buying on credit terms

5. Discuss the collection sequence usually used in retail stores.

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6. Distinguish between characteristics of sequential collection letters. Write "1" in the blanks before the first type of letter, a "2" before the second type of letter, and a "3" before the third type of letter. Statements may have more than one correct answer.

_____a. Write when account is 90 days past due

_____b. Tone of letter should be direct

_____c. Tell customer amount owed and time past due

_____d. Ask to make arrangements to work out payment

_____e. Tell customer the account will be reported to the credit bureau

TEST

_____f. Tone of letter should be moderate

_____g. Write when account is 60 days past due

_____h. Tone of letter is forceful

_____i. Write when account is approximately 30 days past due

_____j. Tell customer that the store does not want to have to make an unfavorable report to the credit bureau nor to contact a collection agency

_____k. Indicate that the account is seriously past due

_____l. Encourage customer to contact store to make suitable arrangements for payment or to correct possible error

_____m. Tell customer that it would be costly for both parties to have to take the matter to court

7. Select from the following list true statements about referring accounts to a collection agency. Write an "X" in the blank before each correct answer.

_____a. Collection agencies are usually very effective and inexpensive

_____b. Collection agencies' fees are usually based on a percentage of each account collected

_____c. Debtors are usually anxious to clear accounts referred to collection agencies

_____d. Collection agencies offer experience and knowledge in persuasive collection techniques

_____e. Store is committed to pay the agency fee only on referred accounts which are paid to the agency, not necessarily on those which are paid to the store

8. State judgements involving credit liability.

a. ____

____

b. ____

____

c. ____

____

TEST

(NOTE: Test questions 9-11 are assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

9. Analyze accounts receivable by aging.

10. Solve a management case study.

11. Write a series of collection letters.

COLLECTION PROCEDURES
UNIT III

ANSWERS TO TEST

1. a. 11
   b. 10
   c. 4
   d. 9
   e. 1
   f. 2
   g. 3
   h. 5
   i. 7
   j. 6
   k. 8
   l. 12
   m. 16
   n. 15
   o. 13
   p. 14
   q. 17
   r. 18
   s. 19

2. a. To collect money owed to the store
   b. To retain customers' goodwill toward the store

3. b

4. a. 3
   b. 3
   c. 1
   d. 2
   e. 2
   f. 1
   g. 3
   h. 1
   i. 3
   j. 3

5. Discussion should include
   a. Give copy of invoice to customer at time purchase is made
   b. Send copy of invoice to credit department
   c. Send monthly statements to customers; include amount owed and summarize any activity in the account during the month
   d. If account is not paid according to terms, send written reminder(s) that payment is past due
      1) Form letters may be used initially but must become personal as account ages
      2) Letters should progressively become more forceful and direct, suggesting more serious action being taken each time
   e. Send representative to collect payment
      1) Personal contact is used for more difficult collection problems
      2) Personal contact is an expensive means of collection

ANSWERS TO TEST

f. Hire a collection agency to collect amount due

g. Take customer to court

   1) Most collection cases are handled in small claims court

   2) Court cases are costly and time consuming

6. a. 3

   b. 2

   c. 1, 2

   d. 2

   (NOTE: 1 and 3 may be acceptable.)

   e. 3

   f. 1

   g. 2

   h. 3

   i. 1

   j. 2

   k. 3

   l. 1

   (NOTE: 2 and 3 may be acceptable.)

   m. 3

7. b, c, d

8. a. Court may attach customer's personal property and hold it until the debt is paid, or sell the property in order to satisfy the debt

   b. Court may order that the store garnishee the customer's wages for payment

   c. Court may order repossession of property sold under conditional sales contract

9. Evaluated to the satisfaction of the instructor

10. Evaluated to the satisfaction of the instructor

11. Evaluated to the satisfaction of the instructor

STARTING A SMALL BUSINESS
UNIT I

UNIT OBJECTIVE

After completing this unit, the student should be able to evaluate his or her ability to start a small business. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with starting a small business to their correct definitions.
2. Select from a list factors which relate to business "bigness" or "smallness."
3. Describe services provided by the Small Business Administration.
4. Arrange in order steps used in writing a plan for small business ownership.
5. Describe primary factors which determine business success or failure.
6. List secondary factors which affect business success or failure.
7. Distinguish between types of capital expenses incurred when starting a small business.
8. Match sources of capital used by entrepreneurs to the correct type of capital.
9. List documentation usually required by banks and the Small Business Administration to process loan requests.
10. List regulations which must be considered by entrepreneurs.
11. Distinguish among various types of taxes levied upon businesses.
12. Select from a list reasons small business entrepreneurs need assistance and information.
13. List business activities which frequently require assistance and information.
14. List major sources of information and assistance available to small business owners.
15. Analyze primary success and failure factors for a small service business.
16. Analyze primary success and failure factors for a small retail business.

OBJECTIVE SHEET

17. Analyze reasons for selected small business failures.
18. Request information on starting a small business.
19. Evaluate your ability to start a small business.

STARTING A SMALL BUSINESS
UNIT I

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order films, games, and other materials to supplement unit.

1. *FLM--Decisions in Starting a Retail Business.* FLM Publishers, Inc. Available from Fred L. Moore, 3860 Armer, Boulder, Colorado 80303.

   (NOTE: This classroom simulation activity presents 10 different types of stores and requires that students make management-level decisions on 20 marketing and merchandising activities.)

2. *Small Business Reporter Series.* Bank of America N.T.& S.A., 1976. Available in quantity from Bank of America, Department 3120, P.O. Box 37000, San Francisco, California 94137.

   (NOTE: This series places emphasis in two areas: fifteen business operations and fifteen business profiles. It is available from any Bank of America branch office.)

3. *The Enterprise Sandwich Shop.* Microcomputer simulation. Gregg Division/McGraw-Hill, 1221 Avenue of the Americas, New York, New York 10020. Available from Gregg Division/McGraw-Hill Software License Department.

   (NOTE: This microcomputer simulation focuses on monthly income statements for a small business; students make decisions regarding pricing, purchasing, advertising, publicity, and staffing. Instructor's manual contains ready-to-duplicate forms and transparency masters, teaching instructions, and a microcomputer disk.)

4. Films

   (NOTE: The following films are available on a free-loan basis to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order from the addresses listed.)

   a. *Something to Work For.* Color, 30 minutes, Roundtable Films, 1973. Available from Roundtable Films, 113 North San Vincent Boulevard, Beverly Hills, California 90211.

      (NOTE: This film stresses setting high standards, communicating clearly, and giving encouragement and support of your subordinates.)

SUGGESTED ACTIVITIES

b. *Just a Little Bit More - Positive.* Color, 30 minutes, Chatham Films, n.d. Available from Chatham Films, P.O. Box 41158, Minneapolis, Minnesota 55447.

(NOTE: This film discusses positive thinking and the idea that if you want to win badly enough, you can, even if it means winning only by the length of your nose or by the stretch of your neck. It deals with the Olympics.)

5. Request Small Business Administration Form SBA 115A, April 1980. Available from the U.S. Small Business Administration, P.O. Box 15434, Fort Worth, Texas 76119. This form may be used to order the following Small Business Administration materials: *Management Aids, Small Marketers Aids, Small Business Bibliographies.*

6. Request Small Business Administration Form SBA115B, April 1980, from U.S. Small Business Administration, P.O. Box 15434, Fort Worth, Texas 76119. This form may be used to order booklets which provide discussion of special management problems in small businesses.

B. Make transparencies.

C. Provide students with objective sheet.

D. Provide students with information and assignment sheets.

E. Discuss unit and specific objectives.

F. Discuss information and assignment sheets.

(NOTE: Explain that the sample loan package used in Objective IX deals with a liquor store because of the regulatory restrictions placed on the liquor industry. This example, therefore, shows many entries that may not be necessary in all industries, but the importance of licensing is brought out in great detail. Prepare your students and administrators, as necessary, for discussion on this example.)

G. Request information on failure trends in business from the Business Economics Division, Dunn and Bradstreet Corporation, 99 Church Street, New York, New York 10007.

H. Arrange for a representative of the Small Business Administration to speak to students about success and failure factors and steps in starting a small business.

I. Have students collect information on businesses that have failed in your local community. Information may be collected from newspaper advertisements for "going out of business sales," listings in the newspaper of businesses filing for bankruptcy, and so on. The information may be posted on a bulletin board according to the type of business, which may stimulate student discussion.

J. Give test.

K. Reteach and retest if necessary.

SUGGESTED ACTIVITIES

II. Instructional materials

- A. Objective sheet
- B. Suggested activities
- C. Information sheet
- D. Transparency masters
    1. TM #1--Standards for Small-Business Loans
    2. TM #2--Types of Business Operation
    3. TM #3--Types of Business Operation (Continued)
    4. TM #4--Organizational Plans in Trouble
    5. TM #5--Organizational Plans in Trouble (Continued)
    6. TM #6--Organizational Plans in Trouble (Continued)
    7. TM #7--Market Factor--"When to Take the Risk"
    8. TM #8--Types of Businesses and Location Importance
    9. TM #9--Layout for Small Business
    10. TM #10--Sources of Borrowing Short-Term Capital
    11. TM #11--Sample Loan Package
    12. TM #12--Sample Loan Package (Continued)
    13. TM #13--Sample Loan Package (Continued)
    14. TM #14--Sample Loan Package (Continued)
    15. TM #15--Sample Loan Package (Continued)
    16. TM #16--Sample Loan Package (Continued)
    17. TM #17--Sources of Information
- E. Assignment sheets
    1. Assignment Sheet #1--Analyze Primary Success and Failure Factors for a Small Service Business
    2. Assignment Sheet #2--Analyze Primary Success and Failure Factors for a Small Retail Business
    3. Assignment Sheet #3--Analyze Reasons for Selected Small Business Failures

SUGGESTED ACTIVITIES

4. Assignment Sheet #4--Request Information on Starting a Small Business

5. Assignment Sheet #5--Evaluate Your Ability to Start a Small Business

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Hailes, William D. Jr., and Raymond T. Hubbard. *Small Business Management.* Albany, New York: Delmar Publishers, 1977.

C. Kirkpatrick, Charles A., and Frederick A. Russ. *Business.* Chicago: Science Research Associates, Inc., 1978.

D. SCORE/U.S. Small Business Administration. *Fact Sheet for Local Data.* Oklahoma City, Oklahoma: SCORE.

E. *Small Business Reporter: Financing Small Business.* San Francisco: Bank of America, 1976.

F. *Small Business Reporter: Steps to Starting a Business.* San Francisco: Bank of America, 1976.

G. U.S. Small Business Administration. *Presentor's Guide Series: Choosing a Form of Organization for Small Business.* Washington, D.C.: U.S. Government Printing Office, 1980.

H. U.S. Small Business Administration. *Presentor's Guide Series: Location and Layout for Small Business.* Washington, D.C.: U.S. Government Printing Office, 1980.

I. U.S. Small Business Administration. *Presentor's Guide Series: Sources of Assistance and Information for Small Business.* Washington, D.C.: U.S. Government Printing Office, 1980.

J. U.S. Small Business Administration. *Steps to Starting a Business in Oklahoma.* Oklahoma City, Oklahoma: Small Business Administration.

STARTING A SMALL BUSINESS
UNIT I

INFORMATION SHEET

I. Terms and definitions

A. Borrowed capital--Any capital that is loaned to a company by others

B. Capital--Money, buildings, machines, and investments that are used or available to make products or services

C. Collateral--Personal or business possessions that a borrower assigns to a lender as a pledge of debt repayment

(NOTE: If the borrower does not repay the loan, the lender assumes ownership of the collateral.)

D. Commercial bank--Type of financial institution which accepts checking and savings accounts and makes loans to individuals and businesses; the most common lenders to small businesses

E. Commercial finance company--Type of financial institution which lends money to business owners

(NOTE: Commercial finance companies frequently require collateral such as accounts receivable, or fixtures and equipment.)

F. Community development agency--Associations formed to encourage and help businesses to start within a local community

G. Entrepreneur--French word meaning "enterpriser"; a person who owns his or her own business

H. Factoring company--Firm which specilizes in making loans to businesses based upon their accounts receivable

(NOTE: Usually, these firms purchase accounts receivable from businesses and collect the money due.)

I. Fixed capital--Items purchased for use by the company and used for a long period of time

EXAMPLES: Real estate property, equipment, fixtures

J. Lease--Contract to use an item without purchasing it

K. Owned capital--Money the owner(s) invest in a business

L. Retained capital--Profits used by the business for purposes of expansion and upgrading facilities and equipment

INFORMATION SHEET

M. Sales finance company--Types of financial institution which provides capital to businesses which sell on credit

(NOTE: Sales finance companies buy and collect business customers' sales contracts. This practice allows businesses to transfer some of the risk of selling on credit.)

N. SCORE (Service Corps of Retired Executives)--Association of retired business executives who volunteer consultant services to small business owners

O. Small business--Business that is independently owned and not dominant in its field of operation

(NOTE: According to the Small Business Administration, 95 percent of all businesses in the United States are small businesses, primarily in the retailing, wholesaling, construction, and service industries.)

P. Small Business Administration--Federal governmental agency established to assist small business owners

Q. Working capital--Capital used for daily operational expenses incurred by a business

II. Factors which relate to business "bigness" or "smallness" (Transparencies #1-#3)

(NOTE: The most widely used criterion for determining if a business is considered "small" is the number of employees on the payroll; however, in describing relative size of retail and wholesale businesses, annual sales are most commonly used.)

A. Number of employees

B. Type of business

C. Dollar value of sales

D. Size of competitors

III. Services provided by the Small Business Administration (Transparency #1)

(NOTE: The SBA was established in 1953 under the provisions of the Small Business Act.)

A. Management consultants

1. Recommend products to produce or to sell
2. Recommend sources to finance operations
3. Recommend marketing strategies

INFORMATION SHEET

4. Provide training courses

5. Provide references for solutions to small business management problems

B. Loan administrators (Transparency #1)

1. Establish standards for loan approval

2. Provide loans to small businesses

(NOTE: Loans are provided for a variety of purposes, including purchase of equipment and inventory, and building construction.)

C. Contract locators--Assist small businesses in obtaining government contracts

IV. Steps used in writing a plan for small business ownership

(NOTE: This plan should be written in detail as it will be used by prospective lenders and/or investors as a means of evaluating the potential success of the business. The plan should be used by the business owner as a control device to evaluate overall operations.)

EXAMPLE:

Sample Business Plan Outline

I. Cover Letter
   - A. Dollar amount requested
   - B. Terms and timing
   - C. Type and price of securities

II. Summary
   - A. Business description
     - 1. Name
     - 2. Location and plant description
     - 3. Product
     - 4. Market and competition
     - 5. Management expertise
   - B. Business goals
   - C. Summary of financial needs and application of funds
   - D. Earnings projections and potential return to investors

III. Market Analysis
   - A. Description of total market
   - B. Industry trends
   - C. Target market
   - D. Competition

IV. Products or Services
   - A. Description of product line
   - B. Proprietary position: patents, copyrights and legal and technical considerations
   - C. Comparison to competitors' products

V. Manufacturing Process (if applicable)
   - A. Materials
   - B. Sources of supply
   - C. Production methods

VI. Marketing Strategy
   - A. Overall strategy
   - B. Pricing policy
   - C. Sales terms
   - D. Method of selling, distributing and servicing products

VII. Management Plan
   - A. Form of business organization
   - B. Board of directors composition
   - C. Officers: organization chart and responsibilities
   - D. Resumés of key personnel
   - E. Staffing plan/number of employees
   - F. Facilities plan/planned capital improvements
   - G. Operating plan/schedule of upcoming work for next one to two years

VIII. Financial Data
   - A. Financial history (five years to present)
   - B. Five-year financial projections (first year by quarters; remaining years annually)
     - 1. Profit and loss statements
     - 2. Balance sheets
     - 3. Cash flow chart
     - 4. Capital expenditure estimates
   - C. Explanation of projections
   - D. Key business ratios
   - E. Explanation of use and effect of new funds
   - F. Potential return to investors compared to competitors and the industry in general.

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INFORMATION SHEET

- A. Prepare cover letter
- B. Give a description of the company
- C. Analyze the market
- D. Describe type of goods sold or produced, or the service performed
- E. Describe marketing strategies
- F. Provide a management plan
- G. Provide financial data and projections

V. Primary factors which determine business success or failure (Transparencies #4-#8; Assignment Sheets #1-#3)

- A. Management factors
  - 1. Personal qualifications

    (NOTE: It is doubtful that a person would possess all of the personal qualifications desirable for good management. However, a person may build on the strong qualifications and try to improve the weak ones. Weak qualifications can be improved by attending conferences and courses, reading literature in these areas, and observing those with strong qualifications.)

    - a. Willingness to work long hours
    - b. Desire to learn
    - c. Ability to bounce back after a setback
    - d. Willingness to take risks
    - e. Ability to get along with others
    - f. Ability to communicate
    - g. Ability to sell
    - h. Ability to lead
    - i. Ability to make decisions
    - j. Ability to organize

INFORMATION SHEET

2. Professional qualifications

a. Management knowledge

b. Technical knowledge

c. Ability to develop plans and objectives

1) Financial planning

(NOTE: A good financial plan should provide profit objectives as well as sales objectives for various major expenses.)

2) Organizational planning (Transparencies #4-#6)

(NOTE: An effective organizational plan allows for maximum productivity with little or no duplication of effort.)

3) Projects and activities planning

(NOTE: Every small business must take time to plan for the future, prepare necessary schedules and procedures, and make decisions about new activities that should be started.)

B. People factors

1. Recruiting, interviewing, and selecting personnel

a. Recruiting sources

EXAMPLES: State employment service, private placement services, educational facilities, general public

b. Interviewing skills

(NOTE: These skills determine how well a business can select the best employees from those available in the labor market.)

2. Personnel practices

(NOTE: These practices determine to a large part how people will be motivated to devote their full capabilities for the benefit of a business.)

a. Pay and fringe benefits

EXAMPLES: Holidays, life insurance, sick leave, vacation, health insurance, retirement

INFORMATION SHEET

   b. Working conditions

   c. Grievance procedures

   d. Positive discipline

   e. Administrative procedures (Transparencies #4-#6)

      EXAMPLES: Keeping payrolls prompt and accurate; keeping employees informed about fringe benefits; assisting employees in filing of health insurance claims and worker's compensation claims; scheduling vacations; organizing work

   f. Training

C. Money factors

1. Capital and sources

   (NOTE: Rarely does an owner or group of owners have enough money to conduct all the affairs of a business. For this reason, people must borrow money. Sources of money beyond personal savings include banks, savings and loans companies, the Small Business Administration, and private investors.)

2. Financial management

   a. Analysis of financial statements

      EXAMPLES: Income statement, expense statement, balance sheet

   b. Tax management

3. Pricing and credit

   (NOTE: Pricing has a great influence on the volume of business and on the profitability of that volume; credit when closely controlled can be used to increase sales, open markets to new buyers, facilitate selling, and satisfy customers.)

4. Budgets, cost controls, and records

   (NOTE: These items must include labor cost by operation, material cost, waste, damage, scrap, and markdowns if the business is to record profit or loss accurately.)

D. Market factors (Transparency #7)

1. Market and market objectives

   a. Analysis of the product or service

   b. Definition of the market

INFORMATION SHEET

c. Sources of supply

d. Competition

e. Location (Transparency #8)

f. Layout (Transparency #9)

2. Marketing plan

a. Direct sales effort

(NOTE: In a business where customers come to buy the product, it is important to train salespeople properly so that they know the product and how to approach customers. In a business where sales are achieved by contacting customers outside the business, it becomes important to decide whom to see, in what order, and how much effort to spend on each customer.)

b. Advertising and promotion

(NOTE: Advertising and promotion can be very useful in attracting customers to the goods or services offered by a business. However, it may be expensive and should be carefully organized so that it will reach a broad number of potential customers. It should reach them with the right message at the right time, and occur frequently enough so that the desired results will be achieved.)

VI. Secondary factors which affect business success or failure

A. Product

B. Suppliers

C. Equipment

(NOTE: Several factors should be considered when deciding whether to buy or lease a piece of equipment. These factors include initial cost of the new equipment, maintenance cost of the existing equipment, depreciation, and tax benefits. If a business decides to buy a new piece of equipment, all alternatives should be compared and the one best for the business selected.)

D. Systems factors

EXAMPLES: Inventory control, budgets and financial controls, accounts receivable and accounts payable, automatic data processing, security

INFORMATION SHEET

VII. Types of capital expenses incurred when starting a small business

A. Fixed capital expenses

(NOTE: Leasing lessens the investment in fixed capital; buying increases it.)

1. Building
2. Fixtures
3. Equipment

B. Working capital expenses

1. Rent
2. Salaries
3. Insurance
4. Taxes
5. Advertising
6. Utilities
7. Supplies
8. Interest on borrowed money

VIII. Sources of capital used by entrepreneurs (Transparency #10)

(NOTE: Sole proprietors may obtain additional capital by reorganizing to form partnerships or corporations.)

A. Owned capital

1. Personal savings
2. Mortgage on personal property

B. Retained earnings--Profits used for expansion and upgrading

C. Borrowed capital (Transparency #10)

(NOTE: Borrowed capital may be obtained through short-term or long-term loans.)

EXAMPLES:
1. Short-term capital--Money borrowed from banks, insurance companies, and governmental agencies
2. Long-term capital--Money obtained through mortgages, long-term notes, and bonds

1. Commercial banks
2. Small Business Administration

INFORMATION SHEET

3. Individual investors
4. Insurance companies
5. Commercial finance companies
6. Sales finance companies
7. Community development agencies
8. Suppliers
9. Factoring companies

IX. Documentation usually required by banks and the Small Business Administration to process loan requests (Transparencies #11-#16)

EXAMPLE:

SAMPLE LOAN PACKAGE OUTLINE

I. Summary

  A. Nature of business
  B. Amount and purpose of loan
  C. Repayment terms
  D. Equity share of borrower (equity/debt ratio after loan)
  E. Security or collateral (listed with market value estimates and quotes on cost of equipment to be purchased with the loan proceeds)

II. Personal information (on persons owning more than 20 percent of the business)

  A. Educational and work history
  B. Credit references
  C. Income tax statements (last three years)
  D. Financial statement (no older than 60 days)

III. Firm information (whichever is applicable below-A, B, or C)

  A. New business
    1. Business plan (see outline of business plan sections, page 9-G)
    2. Life and casualty insurance coverage
    3. Lease agreement

  B. Business acquisition (buyout)
    1. Information on acquisition
      a. Business history (include seller's name, reasons for sale)
      b. Current balance sheet (not over 60 days old)
      c. Current profit and loss statements (less than 60 days old)
      d. Business' federal income tax statements (past three to five years)
      e. Cash flow statements for last year
      f. Copy of sales agreement with breakdown of inventory, fixtures, equipment, licenses, goodwill and other costs
      g. Description and dates of permits already acquired
    2. Business plan
    3. Life and casualty insurance

  C. Existing business expansion
    1. Information on existing business
      a. Business history
      b. Current balance sheet (not more than 60 days old)
      c. Current profit and loss statements (not more than 60 days old)
      d. Cash flow statements for last year
      e. Federal income tax returns for past three to five years
      f. Lease agreement and permit data
    2. Business plan
    3. Life and casualty insurance

IV. Projections

  A. Profit and loss projection (monthly, for one year) and explanation of projections
  B. Cash flow projection (monthly, for one year) and explanation of projections
  C. Projected balance sheet (one year after loan) and explanation of projections

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INFORMATION SHEET

A. Resume' of the applicant's education and work experience

(NOTE: Emphasis should be directed toward any experience gained in industry.)

B. Entrepreneur's personal financial statement showing net worth

(NOTE: Statement must include income tax statements for the previous three years.)

C. Credit references

D. Complete business plan

(NOTE: Plan should include projected monthly profit and loss statements, cash flow projections, projected balance sheet for the first year of operation, and explanation of how loan proceeds will be used.)

E. Copy of lease agreement

F. Copy of insurance policies

G. Copy of franchise agreement, if applicable

H. Collateral as requested

X. Regulations which must be considered by entrepreneurs

A. Federal

(NOTE: Federal regulations apply to businesses which engage in interstate commerce, use government property, prepare meat products for transportation and sale, provide investment advice, produce drugs or biological products, or operate as a radio or television station.)

EXAMPLES: Federal taxes, tax identification number, wage and hour regulations, OSHA, Food and Drug Administration, meat and poultry inspection

B. State

EXAMPLES: Filing articles of incorporation, Oklahoma Tax Commission, Alcoholic Beverage Control Board, Oklahoma Employment Security Commission, State Insurance Fund Claims Department/Worker's Compensation, occupational licenses, health regulations

C. Local

EXAMPLES: Local taxes, city planning/zoning offices, occupational licenses, health regulations

INFORMATION SHEET

D. Self

(NOTE: Businesses have an inherent obligation to support their community in many activities which are not required by law, but rather by conscience. Such activities include support of student and school activities, and civic club participation.)

XI. Various types of taxes levied upon businesses

A. Federal

1. Employee income tax
2. Employee social security tax
3. Excise tax
4. Owner-manager's and/or corporate income tax
5. Unemployment tax

B. State

1. Unemployment tax
2. Employee income tax
3. Business income tax
4. Sales tax
5. Licenses

C. Local

1. Sales tax
2. Real estate tax
3. Personal property tax
4. Licenses

XII. Reasons small business entrepreneurs need assistance and information

A. Small business people usually have less management experience and less opportunity for exposure to many business activities than large business people

INFORMATION SHEET

B. Small business people usually have less time to devote to any one decision or activity than large business people

(NOTE: Whereas large firms hire specialists to take care of many decisions for executives, small business people have many complex demands placed on their time.)

C. Small business, because of their limited resources, must take a more economical approach to decision making

XIII. Business activities which frequently require assistance and information

A. Marketing decisions

EXAMPLES: Size of market, customer information, competition, product lines

B. Financial planning

EXAMPLES: Income, expenses, cash flow, cost of selling and/or production

C. Labor relations activities

EXAMPLES: Compensation, benefits, policies

D. Equipment evaluation

EXAMPLES: Types available, most cost-effective

XIV. Major sources of information and assistance available to small business owners (Transparency #17; Assignment Sheets #4 and #5)

A. Federal government agencies

(NOTE: The main offices of the Oklahoma Small Business Administration are located at the Federal Building, Suite 670, 200 Northwest Fifth Street, Oklahoma City, Oklahoma 73102. Phone: 405-231-4301.)

EXAMPLES: Small Business Administration, Department of Commerce, Department of Labor, Federal Trade Commission, Government Printing Office, Internal Revenue Service

B. Chambers of commerce

C. Community business development councils

D. Trade associations

EXAMPLES: National Retail Merchants Association, National Federation of Independent Businesses

E. Credit bureaus

INFORMATION SHEET

F. Better business bureaus

G. Associations of business people

EXAMPLES: Rotary, Kiwanis, Sales and Marketing Executives

H. Special libraries and information centers

I. Business professionals

EXAMPLES: Bankers, management consultants, SCORE, accountants, lawyers, insurance agents

J. Daily contacts

EXAMPLES: Other business people, customers, suppliers

Standards for Small-Business Loans

TYPE OF BUSINESS	ANNUAL SALES	NUMBER OF EMPLOYEES
RETAIL	Not over $2 to $7.5 million, depending on the industry	
SERVICE	Not exceeding $2 million to $8 million, depending on the industry	
WHOLESALING	Not over $9.5 to $22 million, depending on the industry	
MANUFACTURING		Up to 1,500, depending on the industry
GENERAL CONSTRUCTION	Not exceeding $9.5 million for the last three years	
SPECIAL TRADES CONSTRUCTION	Exceeding $1 to $2 million for the last three years, depending on the industry	

TM #1

BMO - 21-G

Types of Business Operation

TYPE OF OWNERSHIP	ADVANTAGES	DISADVANTAGES
A. SOLE PROPRIETORSHIP	Ownership of all profit Ease of organization Freedom and promptness of action Tax savings Personal incentive and satisfaction Minimum legal restrictions on form High credit standing Secrecy Ease of dissolution	Unlimited liability Difficulties of management Limitation of size Lack of opportunity for employees Lack of continuity
B. PARTNERSHIP	Larger amount of capital Credit standing Combined judgment and managerial skills Retention of valuable employees Personal interest in business Definite legal status	Unlimited liability of the partners Lack of continuity Divided control Possibility of disagreement among the partners Frozen investment

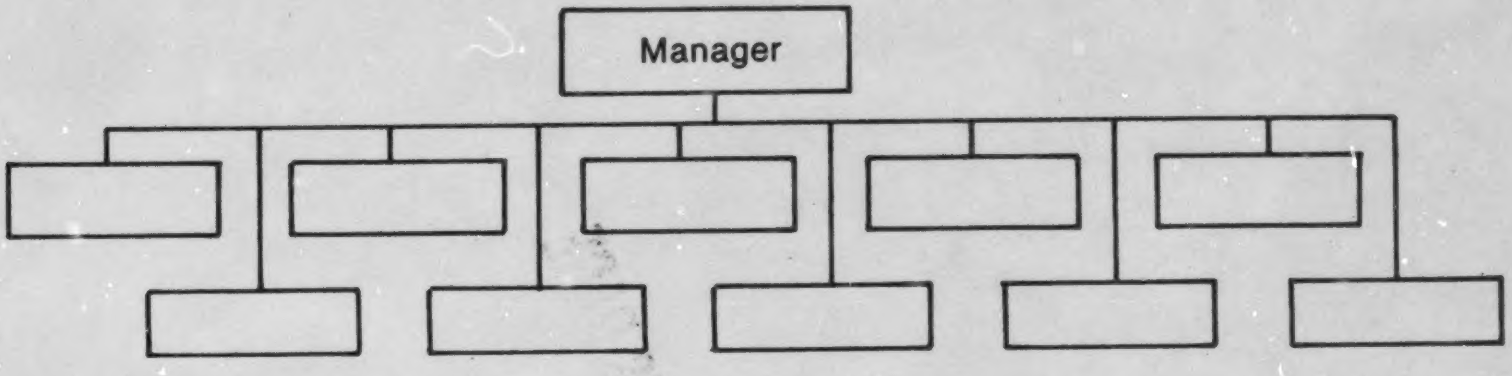
Types of Business Operation

(Continued)

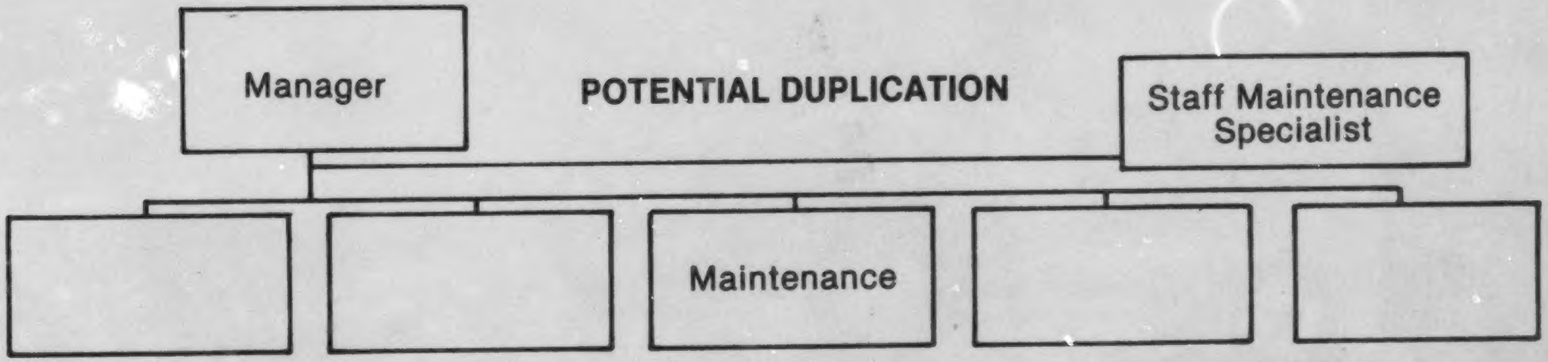
TYPE OF OWNERSHIP	ADVANTAGES	DISADVANTAGES
C. BUSINESS CORPORATIONS	Limited liability of stockholders Larger size Transfer of ownership Length of life Efficiency of management Ease of expansion Legal entity	Taxation Organization expenses Government restriction and reports Lack of personal interest Lack of secrecy Charter restriction

Organizational Plans in Trouble

TOO MANY REPORTING TO ONE



POTENTIAL DUPLICATION


Manager
Staff Maintenance Specialist
Maintenance

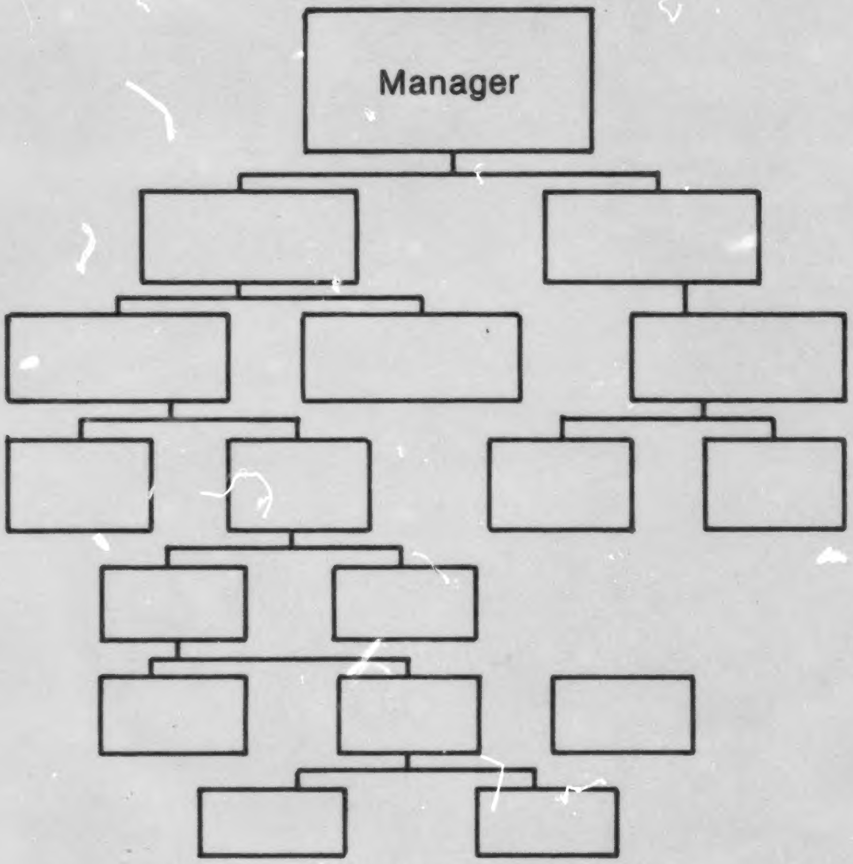
TM #4

BMO - 27-G

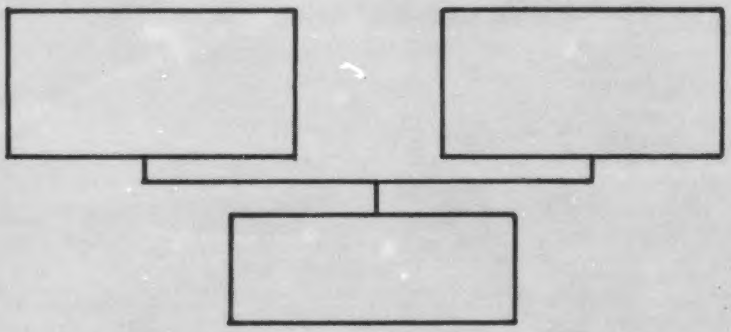
Organizational Plans in Trouble

(Continued)

TOO MANY LEVELS



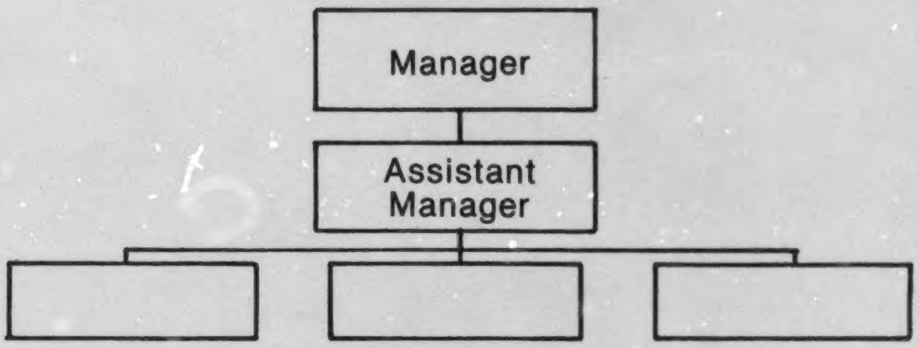
REPORTING TO MORE THAN ONE BOSS



Organizational Plans in Trouble

(Continued)

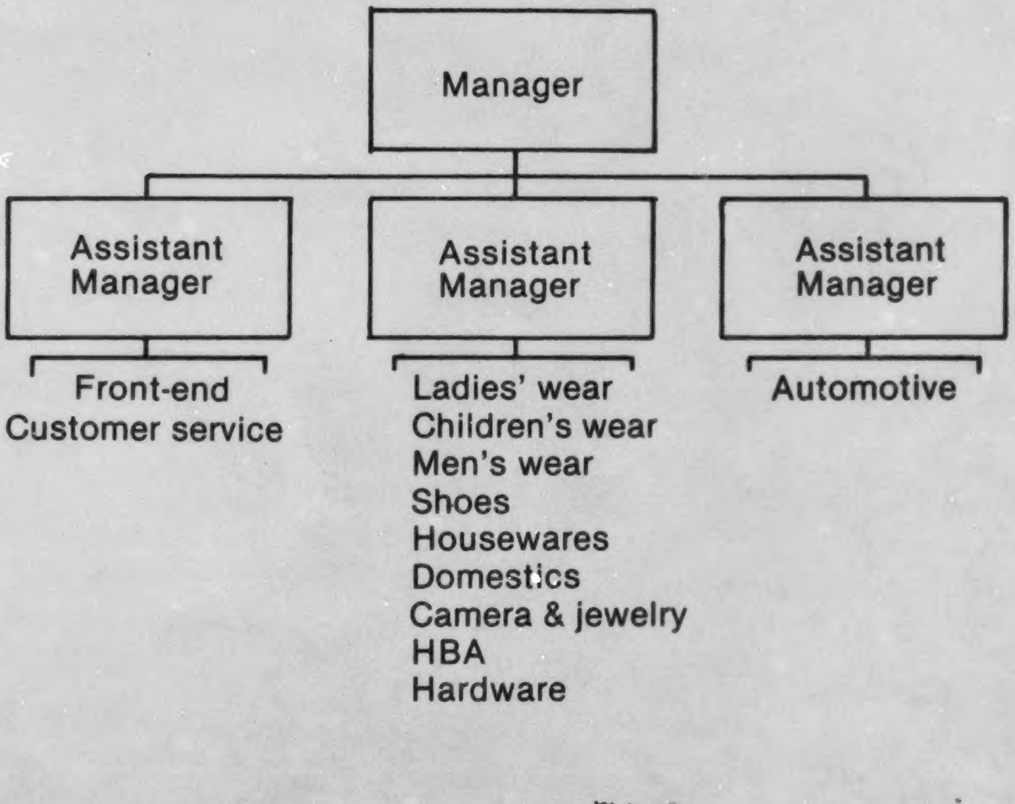
ONE OVER ONE



Manager

Assistant Manager

LOADS OUT OF BALANCE



Manager

Assistant Manager

Front-end
Customer service

Assistant Manager

Ladies' wear
Children's wear
Men's wear
Shoes
Housewares
Domestics
Camera & jewelry
HBA
Hardware

Assistant Manager

Automotive

Market Factor
"When to Take the Risk"

______ Have you identified the market?

______ Does there seem to be a market large enough for your store to compete successfully?

______ Do you know who in your trading area will purchase your goods?

______ Do you know their income, occupational, and housing patterns?

______ Do traffic and pedestrian counts give favorable projections for your site?

______ If your customers will arrive by car, are ample parking areas nearby?

______ If previous businesses have failed at the site, have you found out why they failed?

______ Are other stores that handle your type of merchandise prospering in the neighborhood?

______ Have you come up with a profitable sales estimate?

______ Does the area have a good safety record?

______ Is the exterior of your site attractive or can remodeling at reasonable cost improve the exterior image?

______ Have community business organizations given you a favorable report on the site and business district?

______ Can you handle the initial investment required to start the business?

______ Do the terms in your lease offer you protection against possible business failure and rising inflation?

______ Will you be able to attract employees with the skills needed for your business?

Types of Businesses and Location Importance

Consumer Goods and Services

- Location is very important
  - Drugstores
  - Barbershops
  - Auto service stations
  - Dry cleaning establishments

Other Retail/ Wholesale Businesses

- Location is of medium importance
  - Furniture dealers
  - Appliance retailers
  - Auto parts and Accessories
  - Food distributors

Manufacturing, Construction and Other Services

- Location is of little importance
  - Small factories
  - Tool and die makers
  - Remodeling contractors
  - Scrap metal yards

TM #8

783

784

BMO - 35-G

Layout for Small Business

Layout Principles — Retail Stores

1. Merchandising effectiveness
2. Cost efficiency
3. Security

Layout for Production Efficiency

1. Arrange the shortest and most straightforward production route
2. Minimize physical handling and unnecessary movement of people and materials
3. Allow adequate space for machines, operator movement, and work — a progress storage

Sources of Borrowing Short-Term Capital

Commercial Banks

Small Business Administration

Individual Investors

Suppliers

Insurance Companies

Community Development Agencies

Commercial Finance Companies

Sales Finance Companies

Factoring Companies

787

Sample Loan Package

WILDFLOWER

Gifts for Everyone
100 East Main
Uknowhere, OK 73700

RÉSUMÉ

Name	Raifield Lee Stemple
Address	Rt. 1, Box 38 Uknowhere, OK 73700
Phone	(405) 623-8428 (Business) (405) 623-7634 (Home)
Personal	Born: February 22, 1936 Married, 3 children U.S. Citizen
Education	Oklahoma State University Stillwater, OK MA in Education 1975 BA in Education 1973 Greenfield High School Greenfield, OK, 1953
Employment	Wildflower Gift Shop 100 E. Main Uknowhere, OK 73700 August 1979 to present 1971-1979 Longdale, OK, Elementary School Taught Remedial Reading
Personal Credit Reference	Uknowhere State Bank 115 W. A Uknowhere, OK 73700 (Mr. Larry Roach, Vice President)

Sample Loan Package
(Continued)

RÉSUMÉ
Assistant Manager

Name	Nell Richardson
Address	1315 N. Noble Uknowhere, OK 73700
Phone	(405) 623-7744
Personal	Widowed U.S. Citizen
Education	Greenfield High School Greenfield, OK
	DuBarry Cosmetics Sales Training Seminars Clifton, New Jersey
Employment	1979 to Present Wildflower Gift Shop 100 E. Main Uknowhere, OK 73700
	1948 - 1957 and 1968 - 1979 Veatch Drug Main Street Uknowhere, OK 73700 Salesperson and Cosmetician
	1957 - 1968 Warner Lambert Company DuBarry Division Clifton, New Jersey
	Sales Training Representative for entire Southwestern United States
Personal Credit Reference	Uknowhere State Bank 115 W. A Uknowhere, OK 73700

Sample Loan Package
(Continued)

WILDFLOWER BUSINESS PLAN

Name and Address of Business

Wildflower Gift Shop
100 East Main
Uknowhere, OK 73700

History of Business

A gift shop called Wildflower was opened in August of 1979 by Raifield Lee Stemple at the current location.

Mrs. Stemple chose a prime location on the main thoroughfare in the town of Uknowhere, Okla. This corner store location was refurbished inside with new paneling and shelving and repainted on the exterior in an attractive combination of colors.

With the assistance of Nell Richardson, her mother, Mrs. Stemple chose some quality lines of merchandise to compete in the gift, cosmetics, fine and casual china, flatware, crystal, and greeting card markets.

The business has progressed positively since the onset. It is expected that the company will accomplish the volume projection set forth for 1982 of $84,000 or slightly above that amount.

Projections indicate that future goals can exceed $100,000 per year at the present location.

Plan of Operation Under Mrs. Stemple's Guidance

The company plans to continue to give quality products and service after the sale. The company handles a number of brand name products and has manufacturer's agreements to do so. Included in the product line are Allercreme, DuBarry cosmetics, Nina Ricci fragrances, gifts for men such as Pierre Cardin products, greeting cards by Drawing Board, Oneida flatware, casual and fine china, a beautiful line of clocks, and cutlery.

Sample Loan Package

(Continued)

Sales Plan

1. Business hours are from 9:00 a.m. til 5:30 p.m., six days a week.
2. Shelving and counter space are well organized for proper display of merchandise.
3. There is one display window with good visability from the street. It is utilized properly. The store is well stocked with over $20,000 in inventory at wholesale prices.
4. Weekly delivery for all product lines is available from Oklahoma City, Dallas, Kansas City, Chicago, and the West Coast.
5. The inventory is organized and controlled by accepted management techniques.
6. Two people are always on the showroom floor to service customers and answer telephone inquiries.
7. Showcases and merchandising displays are kept neat and attractive.
8. The company adheres to an advertising budget projected one year in advance utilizing local newspapers, Yellow Pages of the phone book, and direct mail.
9. One exterior wall is available and will be lettered shortly as a sales promotion tool.
10. Word of mouth contact has been very effective. Customers come from 30 miles away to shop in the Uknowhere district.
11. The company belongs to the Uknowhere Chamber of Commerce and adheres to its promotional programs.
12. Most sales are in cash. Budget terms are available through credit card purchases.
13. Company has a monthly and biyearly sales projection. Pricing is moderate; the overhead is kept low so that the firm is in a competitive position in the marketplace.
14. It is expected that with this sales plan, continued enthusiasm, a motivated work force, and upgraded management techniques, that the goals and objectives set forth will be met.

Sample Loan Package

(Continued)

WILDFLOWER
Gifts for Everyone
100 East Main
Uknowhere, OK 73700

Personal Financial Statement of - Raifield Lee Stemple

ASSETS	
Cash on hand and in checking accounts	$ 2,000.00
Savings Accounts	1,500.00
Life Insurance Cash Value (paid up)	5,000.00
Real Estate (Home)	90,000.00
Real Estate (50 Acres-P E 1/2 NE 36-16-12 Any Co.)	100,000.00
Real Estate (53.33 acres W 1/2 NE 23-15-11 1/3 Interest)	100,000.00
Oil Royalties (on above) ($250.00 an acre lease)	25,832.00
Other Assets (auto)	5,000.00
TOTAL ASSETS	$329.332.00

LIABILITIES	
Accounts Payable	$ 1,000.00
Notes Payable to Banks	2,500.00
Installment Payments	28,000.00
Mortgage Balance on Home	0.00
Unpaid Taxes	0.00
Other Liabilities	0.00
TOTAL LIABILITIES	$ 31,500.00
NET WORTH	$297,832.00

Statement does not include assets of Wildflower Gift Shop

Sample Loan Package
(Continued)

Managerial Capacity

Raifield Lee Stemple has had many years experience dealing with people. As a public school teacher, she has dealt with various age groups. She brings to the business a pleasant personality which is displayed enthusiastically. Mrs. Stemple is conservative in her business approach and deals with her customers and suppliers in a refined and ladylike demeanor. Her approach to business problems has been positive, well-planned, and analytical.

Mrs.Stemple is assisted by her mother, Ms. Nell Richardson. Ms. Richardson is highly trained and motivated as a sales-oriented person. She has had many years experience behind the counter and on the road as a trainer for one of the largest cosmetic manufacturers in the country.

Market Potential

The gift shop has been operating in a positive manner over the last three years. Under the continued guidance of Mrs. Stemple and her assistants, it will continue to grow.

Uknowhere is the County Seat and center of commercial activity in Any County.

The shopping area seems to be on the upgrade with most of the downtown stores filled with tenants and operating well.

The location of the Wildflower Gift Shop on Main Street is in the center of shopping activities. With a thriving cattle business, an oil-related boom, and growth and development in industry. Unemployment is down and disposable income is up.

The Chamber of Commerce is very active and plans have been made to attract business from the near-by towns of Cimarron, Reeder, Twin Lake, Rose, Warren, Madison, and Johonasberg.

The gift shop, with its up-to-date show room and modern facilities and with the proven abilities of management, should be able to take advantage of this positive business atmosphere.

Sources of Information

Federal Government Agencies

1. Small Business Administration
2. Department of Commerce
3. Department of Labor
4. Federal Trade Commission
5. Government Printing Office

Individuals

1. People With Whom You Are in Daily Contact
    - Employees
    - Customers
    - Suppliers
    - Other Businesspeople
2. Professionals
    - Bankers
    - Management Consultants
    - Accountants
    - Lawyers

Business Groups

1. Chambers of Commerce
2. Community Business Development Councils
3. Trade Associations
4. Credit Bureaus
5. Better Business Bureaus
6. Associations of Businesspeople
7. Special Libraries and Information Centers

STARTING A SMALL BUSINESS
UNIT I

ASSIGNMENT SHEET #1--ANALYZE PRIMARY SUCCESS AND FAILURE FACTORS FOR A SMALL SERVICE BUSINESS

NAME ______________________________ SCORE ______________

There are many reasons for businesses' successes and failures. Prospective new business owners should be able to analyze situations and evaluate appropriate actions which might improve operation effectiveness; in this manner, they may be able to avoid similar problems and take advantage of similar successes as they begin business for themselves.

In this assignment, you are given a case study about the operation of a small service business. Read the case study and analyze the primary success and/or failure factors described by answering the questions provided in Part II.

PART I--Read the case study.

Cass Lee always was known for her mechanical ability. As a youth, she quickly moved from bike repairs to automobile repairs. In high school, she was the best mechanic in the class; all her free time was spent at the gas station near her house. She learned engine repair, body work, and wiring. She was the first person people called when they had car trouble.

Cass saw a future for herself in auto repair and, wanting to run her own show, looked for her own station. A major oil company had a station with two service bays available on a heavily traveled highway. The rent, however, would be a relatively large percentage of gas sales. This meant that if she only pumped gas, by the time the rent, gas, and oil were paid, she would earn less than the minimum wage. Nevertheless, Cass decided to take the station although she worried that if a gas-price war started with her competitors, her business might be wiped out.

Cass needed someone to pump gas while she did repairs. She looked for someone who was as motivated about auto work as she once had been. She soon hired a high school graduate who wanted to learn auto repair and who seemed reliable. However, Cass was busy and didn't have time to teach her helper properly.

At first things went well. In a few months, however, problems began to appear. Because Cass had her own work bays, her friends came to her for help--some paying reduced rates while others asked for and were given credit. Some even borrowed the empty bays to work on their own cars. Because she was so easygoing, Cass felt awkward asking them for payment.

During this time, Cass was pleased with her income. She paid for her gas with each delivery and had quite a bit of money left over. Being new to business, when she saw so much extra money, Cass assumed that whatever was left after expenses was hers. She made her payments to the oil company, paid her other bills, and spent the remainder.

Earlier, the company had suggested that she keep detailed records to avoid financial problems. Cass gave that chore to her mother, who once had worked in an office but had little experience in bookkeeping. Her mother repeatedly told her that something seemed amiss, but Cass assured her that she was paying for everything and that there couldn't be any problems.

ASSIGNMENT SHEET #1

One day, however, not enough money was available to pay for the full gas delivery. The gas company sent a representative to help Cass check her figures. They found that a lot of gas, as well as parts and a few tires, were missing. Too busy with repairs, Cass had given her helper total responsibility for the gas pumps. When questioned by Cass, the helper admitted that he had been pumping free gas to his friends and for his own car, and that he had incorrectly recorded the figures on the pumps.

Cass eventually found out that her employee also had stolen the parts and tires. With the help of a company representative, Cass cleared up her books. She hired a mechanic to do repairs. She kept watch over the gas pumps and books more carefully while the mechanic worked in the bays. However, the mechanic was careless, and several customers told Cass they would not return to her station for future repairs. By that time, Cass was behind in her payments and didn't know what to do next.

PART II--Analyze the primary success and failure factors for this small service business.

A. Explain how the "people factor" affected Cass Lee's business.

B. How would a more effective record keeping system have helped prevent Cass Lee's problem?

C. How would Cass Lee have been better prepared to own and operate a business?

ASSIGNMENT SHEET #1

D. What steps should Cass Lee now take to ensure the success of her business?

E. If you had been Cass Lee, how would you have organized and operated the service station business?

STARTING A SMALL BUSINESS
UNIT I

ASSIGNMENT SHEET #2--ANALYZE PRIMARY SUCCESS AND FAILURE FACTORS FOR A SMALL RETAIL BUSINESS

NAME ______________________________ SCORE ______________

There are many factors which have a direct effect on a business' success or failure. Prospective new business owners should be able to analyze their situations and decide whether or not they are ready to venture into business for themselves; in this manner, they may be able to avoid problems and take advantage of successes as they begin their businesses.

In this assignment, you are given a case study describing the characteristics of a prospective owner for a small retail business. Read the case study and analyze the primary success and failure factors described by answering the questions provided in Part II.

PART I--Read the case study.

Terry Thomas is 32 years old and is working as an assistant manager for a large supermarket. Terry has been an employee of that supermarket for 12 years, but has worked only one year as an assistant manager. Terry graduated from high school and has completed three years of college, majoring in business administration. Terry feels that the supermarket does not offer advancement potential, at least not in the near future.

Terry has had the desire for several years to open a supermarket, but has not desired to leave the security of a monthly paycheck. However, because of the lack of advancement potential, Terry is now seriously considering opening a small supermarket.

Terry has a chance to lease a suitable building located in a rapidly developing suburban neighborhood. There is very limited competition at this time, and there is plenty of parking space available.

Terry estimates that it will take approximately $40,000 for stock and for other expenses necessary to start a business. Terry has $10,000 in savings to invest and would have to borrow the remaining $30,000.

Terry estimates that two employees would be needed to operate the supermarket. These employees would be responsible for such jobs as stocking shelves, checking at the cash register, and cleaning the store.

ASSIGNMENT SHEET #2

PART II--Analyze primary success and failure factors.

A. What "management factors" should Terry consider in deciding whether or not to open a supermarket?

B. What "money factors" should Terry consider in deciding whether or not to open a supermarket?

C. What "people factors" should Terry consider in deciding whether or not to open a supermarket?

D. What "market factors" should Terry consider in deciding whether or not to open a supermarket?

ASSIGNMENT SHEET #2

E. How could Terry better prepare himself to own and operate a small supermarket?

F. If you were Terry, how would you organize and operate the supermarket?

STARTING A SMALL BUSINESS
UNIT I

ASSIGNMENT SHEET #3--ANALYZE REASONS FOR SELECTED SMALL BUSINESS FAILURES

NAME ______________________________ SCORE ______________

Prospective small business owners should be able to analyze poor business situations and decide the reasons why the businesses failed. By achieving this ability, they should be able to avoid similar problems as they begin business for themselves.

In this assignment, you will analyze several situations and select the reasons why the given small businesses failed. Write an "X" in the blank before each correct reason.

A. Tom Green opened a small grocery store business. Tom let anyone desiring to charge merchandise do so. Credit references were not asked for or checked, nor did Tom try very hard to collect on past due accounts. His business failed after two years. What was the reason for the failure?

______1. Neglect

______2. Inadequate sales

______3. Poor credit management

______4. Inventory trouble

B. Jane Roberts owned and operated an automobile parts store. Jane was continually out of automobile parts that were in high demand by customers. After 18 months, the business failed. What was the reason for the failure?

______1. Poor location

______2. Inadequate sales

______3. Lack of experience in the line of business

______4. Inventory trouble

C. John Jefferson owned and operated a service station. John developed health problems and was unable to work for six months. While unable to work, he let his 17-year-old son run the business. On returning to work, John found he had lost many of his regular customers, the station was not clean, many items were out of stock, and bills had not been properly paid. The business could not recover and failed after six months. What was the reason for the failure?

______1. Lack of management experience

______2. Poor location

______3. Fraud

______4. Poor credit management

ASSIGNMENT SHEET #3

D. Betty Cook owned and operated a beauty shop. After six months of operation, Betty realized that her business could not succeed because there were too many other beauty shops in the area. What was the reason for the failure?

_____1. Poor location

_____2. Lack of experience in management

_____3. Inventory problems

_____4. Lack of capital

E. Pat Johnson owned and operated a clothing store. The building next to Pat's store was placed on the market for sale. Pat thought that the building could be torn down and the property used for her customers' parking convenience. She took money out of the operating funds and bought the building. Within six months, the store was forced to close. What was the main reason for the failure?

_____1. Poor management

_____2. Lack of operating funds

_____3. Inadequate sales

_____4. Neglect of the business

STARTING A SMALL BUSINESS
UNIT I

ASSIGNMENT SHEET #4--REQUEST INFORMATION ON STARTING A SMALL BUSINESS

NAME ________________________________ SCORE ______________

Prospective business owners should be aware of the many problems associated with starting their own companies. They should also know that there are many sources of information and assistance that may be tapped in order to gain better knowledge of their industries, their communities, and the regulations they will have to follow.

In this assignment, you are to request information on any aspect of starting a small business. Your request may be done in person, in writing, or over the telephone. Several national sources of information are listed on the following pages; any of them may be used in this assignment. You may also want to check local sources of information and assistance and use one of them for completing this assignment. A few good examples of local sources include the Chamber of Commerce, libraries, and the county clerk.

Answer the following questions, but have your source approved by the instructor before making your request for information.

A. What topic of information have you selected?

____

B. Would you like local, state, or national-level information?

____

C. What resource(s) will you use?

____

Approved by instructor? ______________________________

D. How will you request the information you desire?

____

____

____

____

____

E. On what date was your request made? ______________________

ASSIGNMENT SHEET #4

F. What response did you receive? (Date________________________________)

(NOTE: Describe information received from the resource contacted.)

____

____

____

____

____

____

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____

____

G. Would you use this source of assistance and information should you decide to go into business for yourself?____________________ Explain your answer.

____

____

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____

ASSIGNMENT SHEET #4

SMALL BUSINESS OWNERSHIP
Sources of Information

Organizations/Associations

National Council of Small Business
Management Development
University of Wisconsin Extension
929 North Sixth Street
Milwaukee, Wisconsin 53203
Publications: Journal of Small
Business Management

Automotive Parts and Accessories Assn.
1730 K Street Northwest
Washington, D.C. 20006

National Hairdressers and
Cosmetologists Assn.
3510 Olive Street
St. Louis, Missouri 63103

Business Advisory Service, National
Restaurant Assn.
1530 N. Lake Shore Drive
Chicago, Illinois 60610

National Carwash Council
Seven S. Dearborn Street
Chicago, Illinois 60603

National Automatic Laundry and
Cleaning Council
Seven S. Dearborn Street
Chicago, Illinois 60603

National Assn. of Retail Druggists
One E. Wacker Drive
Chicago, Illinois 60601

National Congress of Petroleum
Retailers
2945 Banksville Road
Pittsburg, Pennsylvania 15216

Trailer Coach Assn.
3855 E. La Palma Avenue
Anaheim, California 92806

Amercian Assn. of Nurserymen, Inc.
835 Southern Bldg.
Washington, D.C. 20005

Day Care and Child Development
Council of America
1426 H Street Northwest
Washington, D.C. 20005

Amercian Association of Minority Enterprise
Small Business Investment Companies
92 New Street
Newark, New Jersey 07102

Farmers Home Administration
U.S. Department of Agriculture
Washington, D.C. 20250

National Venture Capital Association
10 South LaSalle Street
Chicago, Illinois 60603

Office of Minority Business Enterprise
U.S. Department of Commerce
Washington, D.C. 20230

Small Business Administration
Washington, D.C. 20416

Western Association of Venture Capitalists
244 California Street, Room 500
San Fransisco, California 94111

Statewide CALBIDCO
717 Lido Park Drive
Newport Beach, California 92663

The International Franchise Association
7315 Wisconsin Avenue
Washington, D.C. 20014
Publication: Classified Directory of
Members

National Franchise Association Coalition
36 East Grand Avenue
P.O. Box 366
Fox Lake, Illinois 60020
Publications: NFAC Newsletter

American Management Association
135 W. 50th Street
New York, New York 10020

Association of Management Consultants
811 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202
Publications: Management Review
Supervisory Management

ASSIGNMENT SHEET #4

Agencies

U.S. Government Printing Office
Superintendent of Documents
Washington, D.C. 20402
(G.P.O. Bookstore in Los Angeles
and San Francisco)

Bureau of Consumer Protection
Federal Trade Commission
6th and Pennsylvania Avenue,
Northwest
Washington, D.C. 20580
(or local offices)

Small Business Administration
Office of Management Assistance
1441 L Street, Northwest
Washington, D.C. 20416 (or
local offices)

California Department of
Corporations
600 S. Commonwealth Avenue
Los Angeles, California 90005

Internal Revenue Service
all local offices

Periodicals

Expenses in Retail Business
National Cash Register Company
Marketing Services Department
Dayton, Ohio 45479

Annual Statement Studies
The Robert Morris Associates
Credit Division
1432 Philadelphia National Bank
Building
Philadelphia, Pennsylvania 19107

Key Business Ratios
Dunn & Bradstreet, Inc.
Business Economics Division
99 Church Street
New York, New York 10007

Business Horizons
Indiana University
Graduate School of Business
Bloomington, Indiana 47401

Periodicals (Continued)

California Management Review
University of California
Graduate School of Business
Administration
Berkeley, California 94720

Venture Capital
S.M. Rubel and Co.
10 South LaSalle Street
Chicago, Illinois 60603

Harvard Business Review
Harvard University
Graduate School of Business
Administration
Boston, Massachusetts 02163

Directories

Directory of Franchising Organizations
Published by 1977 by Pilot Industries
347 Fifth Avenue
New York, New York 10016

Franchise Opportunities Handbook
Published in 1977 by the U.S. Department
of Commerce
For sale by the Superintendent of
Documents
U.S. Government Printing Office
Washington, D.C. 20402

The Franchise Annual
Published in 1977 by INFO Press Inc.
730 Center Street
Lewiston, New York 14092

Directory of Operating Small Business
Investment Companies (Annual)
U.S. Small Business Administration
Washington, D.C. 20416

Guide to Venture Capital Sources
Capital Publishing Corporation
10 South La Salle Street
Chicago, Illinois 60603

OMBE Funded Organizations Directory
Office of Minority Business Enterprise
Washington, D.C. 20230

ASSIGNMENT SHEET #4

Books

Financing for Small and Medium-Sized Businesses
by Harry Gross
Prentice-Hall, Inc.
Englewood Cliffs, New Jersey, 1969

How to Negotiate a Business Loan
by Richard C. Belew
Van Nostrand Reinhold Company
New York, 1973

Up Your Own Organization and Winning the Money Game
by Donald M. Dible
The Entrepreneur Press
Santa Clara, California, 1974 and 1975

How to Organize and Operate a Small Business
by C.M. Baumback, K. Lawyer
Prentice-Hall, Inc.
Englewood Cliffs, New Jersey, 1979
(6th edition)

How to Run a Small Business
by J.K. Lasser
McGraw-Hill Book Co.
New York, New York, 1974 (4th edition)

Small-Time Operator
by Bernard Kamoroff
Bell Springs Publishing Company
Laytonville, California, 1967

Franchised Distribution
By E. Patrick McGuire, 1971
The Conference Board, Inc
845 Third Avenue
New York, New York 10022

Franchising
by Charles L. Vaughn, 1974, 1978
Lexington Books
D.C. Heath and Co.
Lexington, Massachusetts 02173

Franchising: The Investor's Complete Handbook
by Robert M. Dias and Stanley I. Gurnick, 1969
Distributed by C.P.A. Study Aids Publishing Co.
1067 National Press Building
Washington, D.C. 20045

Franchising Realities and Remedies
by Harold Brown, 1972, 1978
The New York Law Journal
233 Broadway
New York, New York 10007

The Franchise Boom
By Harry Kursh, 1968
Prentice-Hall, Inc.
Englewood Cliffs, New Jersey 07532

Manage More By Doing Less
by Raymond O. Loen
McGraw-Hill Book Co.
New York, New York, 1971

Managing the Small Business
by L.L. Steinmetz, John B. Kline, and D.P. Stegall
Richard D. Irwin Inc.
Homewood, Illinois, 1976

The Practice of Management
by Peter F. Drucker
Harper & Row Publishers
New York, New York, 1954

Small Business Management
by H.N. Broom & J.G. Longenecker
South-Western Publishing Co.
Cincinnati, Ohio, 1975 (4th edition)

Starting & Succeeding in Your Own Small Business
by Louis L. Allen
Grosset & Dunlap
New York, New York, 1968

Newsletters

Continental Franchise Review
Published 26 times a year by National Research Publishing Inc.
P.O. Box 6360
Denver, Colorado 80206

The INFO Franchise Newsletter
Published 12 times a year
736 Center Street
Lewiston, New York 14092

STARTING A SMALL BUSINESS
UNIT I

ASSIGNMENT SHEET #5--EVALUATE YOUR ABILITY TO START A SMALL BUSINESS

NAME ________________________________ SCORE ______________

One of the most important things that prospective small business owners can do to ensure business success is to have a good understanding of themselves first. It is only through a close self-evaluation that individuals can identify their strengths and weaknesses and determine whether or not they are ready to go into business.

The questionnaire provided in this assignment should make you think about yourself, and about what you need to know to go into your own business. Depending on the type of business, one question may have more weight than another. A certain number of "Yes" or "No" answers, therefore, will not definitely indicate that you are ready to enter your own business. You should realize, however, that if any of these questions cause you to prepare yourself more thoroughly, you are less likely to have problems as you start your small business.

Read each statement in the following questionnaire. Write an "X" in the appropriate blanks. Follow up the questionnaire by answering the questions given at the end of this assignment sheet.

PART I--Complete a self-analysis questionnaire.

FINANCIAL CONSIDERATIONS

Yes	No	
_____	_____	I have a head for figures and have thoroughly looked into my own--and the proposed business'--financial picture, preparing all the necessary statements and projections with the help of my accountant who will keep me informed of my financial progress.
_____	_____	I have enough money to go into the business I want and can get more from other sources--friends, family, life insurance company. My banker stands ready to give me counseling and advice.
_____	_____	I know that my standard of living will be lowered for several months--even a year or two--until the business begins to show a profit. And I may spend the rest of my life barely making a go of it.
_____	_____	I know that I must repay my loan out of after-tax profits before I can see a return on my investment.

ASSIGNMENT SHEET #5

FINANCIAL CONSIDERATIONS (Continued)

Yes	No	
_____	_____	I know that it is possible for me to lose my savings--as well as the money I borrow from others--and that even if the business fails, I must pay back all that I owe.
_____	_____	I have always protected myself, my family, and possessions with insurance and will continue to do so. My insurance agent will help me select the best protection for the business.

PERSONAL CONSIDERATIONS

Yes	No	
_____	_____	I like to make my own decisions and try my own ideas.
_____	_____	I enjoy being challenged and thrive on competition.
_____	_____	I have evaluated my personality; it lends itself favorably to my proposed business operation.
_____	_____	I really like people; I am friendly and outgoing by nature and can put myself in the other person's shoes.
_____	_____	I am honest and ethical and have a good record with the people in my business community.
_____	_____	I have willpower and self-discipline, always get things done on time, and plan ahead.
_____	_____	I like to work, and understand that my own business will require me to work harder and longer--12 to 16 hours a day, probably six days a week, maybe even on holidays.
_____	_____	I have the energy to do all the work involved--lifting, hauling, working in a shop, standing, walking, talking, smiling, driving--that the day-to-day operation of this business will call for.
_____	_____	I realize I cannot be all things to all people at all times but that this will be expected of me in my own firm. I can withstand the strain this will create for me.
_____	_____	I do not know everything. There are still things to learn--new ideas for me to consider. I can take advice from others.
_____	_____	I am adaptable. I am not so routine bound or rigid that I can't change if the business requires change.
_____	_____	Common sense is one of my strong points.

ASSIGNMENT SHEET #5

MARKETING CONSIDERATIONS

Yes	No	
____	____	I know that my community wants, needs, and can support this business and that there are enough people with sufficient inclination to spend money for the goods or services I plan to supply.
____	____	I have studied the strengths and weaknesses of my competition and know what the marketable differences are in my product or service.
____	____	I know how to go about finding the right location for my business and will select the site only after thorough research.
____	____	I have given a good deal of thought to how and where I can best advertise and promote my merchandise or services to the target market.

MANAGEMENT CONSIDERATIONS

Yes	No	
____	____	I realize that about 90 percent of business failures are caused by inexperience and poor management. I have several years' experience in this or a related business.
____	____	I know the methods a good manager can follow to improve a business and also the mistakes that can drive business away.
____	____	I am familiar with and know how to keep inventory records, record and report sales, withhold taxes for the government, and make out official employee and business records and forms.
____	____	I know that the employees are the vital link between the business and its smooth operation. My experience or education has prepared me for maintaining positive relationships with employees while obtaining results.
____	____	I know how to develop an assistant or "backup" person to run the business when I am not there.
____	____	I know what the trade association people expect of me and what to expect of them.
____	____	I can make my place of business effective and attractive--and stay within the budget.
____	____	I know the suppliers and the assistance they can provide.
____	____	I know how to forecast sales and expenses and how to use this information to help my business become successful.

ASSIGNMENT SHEET #5

MANAGEMENT CONSIDERATIONS (Continued)

Yes	No	
_____	_____	I know how to price my goods or services competitively, meet expenses, make the payroll, and still turn a profit.
_____	_____	I know how to control my inventory or production to coincide with peak and slack periods in the business.
_____	_____	I know how to display, package, or present my services or merchandise.
_____	_____	I know how to collect past due accounts without losing customers.

FINAL CONSIDERATIONS

Yes	No	
_____	_____	I am aware of the advantages of working for someone else rather than going into business for myself and have considered all the alternatives to entering business on my own.
_____	_____	I am aware that I may fail. There is less than a 50-50 chance that I will still be in business two years from now, but it is worth it to me to try.

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ASSIGNMENT SHEET #5

PART II--Evaluate your ability to start a small business.

A. What are your strengths and weaknesses in each of the major considerations for starting a small business?

STRENGTHS	WEAKNESSES
Financial	
Personal	
Marketing	
Management	

ASSIGNMENT SHEET #5

B. What steps should you take to improve your ability to own a small business?

C. Are there certain considerations over which you have no control? Explain your answer.

D. Are you ready to start a small business? Explain your answer.

STARTING A SMALL BUSINESS
UNIT I

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

PART II

A. The "people factor" was one of the primary causes of the problems suffered by Cass Lee's business. It is very important to the success of a business that employees be capable of performing assigned job duties. This can be achieved by hiring employees that already have the required skills, or hiring unskilled employees and training them to perform the required job duties

Lee decided to hire an unskilled employee, who caused her terrible problems

1. She hired an unskilled employee to help work at the service station. She planned to train the employee, but did not have the time. In addition, the employee was given responsibility for the gas pumps–another duty for which the employee was not trained or properly supervised
2. She decided to hire her mother to do the bookkeeping for the service station. Her mother had only limited bookkeeping experience and was unable to understand the records properly. As a result, the employee was able to steal gas and supplies without being caught

B. If Lee had employed a person with experience to establish and maintain an accurate financial record keeping system, the problem could have been detected earlier or perhaps avoided altogether

C. Lee appears to have the technical skills and many of the other skills necessary to operate a business. However, she does not possess the necessary management knowledge. She could take any or all of the following courses of action to improve her management skills:

1. Enroll in management courses that would teach such skills as advertising, supervision, inventory control, bookkeeping, collection, and pricing
2. Enroll in seminars that would teach skills such as leadership, governmental rules and regulations that affect business, cost control, recruiting, interviewing, and techniques of selecting employees and taxes
3. Read materials concerning business management

D. Evaluated to the satisfaction of the instructor

E. Answer may include

1. Employ an experienced bookkeeper to establish and maintain a financial record keeping system

ANSWERS TO ASSIGNMENT SHEETS

2. Hire a person to work for the business, whether it be an attendant or a mechanic, who has the skills to perform the duties of the job. Train that person to do the job in the manner you wish it completed. Ensure that the employee is properly supervised and that the work is being satisfactorily completed
3. Develop a policy for the use of credit by customers and enforce the policy
4. Develop a policy concerning the use of the service station by persons to do their own mechanical repairs and enforce the policy
5. Manage the entire service station business, not just the mechanical repairs or the pumping of gas and selling of supplies

Assignment Sheet #2

A. Terry Thomas should be concerned with the following management factors. Thomas should ask the following questions before making a decision about going into business:

   1. Do I have the ability to develop plans and objectives for a business?
   2. Do I have the personal qualifications to own and operate a business, such as willingness to work long hours, technical knowledge, management knowledge, communication ability, and leadership ability?
   3. Is there a demand for a supermarket in the area where I want to start the business?

B. Terry will have to consider several money factors before the supermarket is opened:

   1. Terry will have to borrow enough money to pay rent, buy equipment, and purchase an inventory of products to be sold
   2. Terry will have to borrow enough money to operate the business until money is received from customers
   3. Once Terry decides how much to borrow, he has to locate a source that will loan the needed money. Possible sources would be banks, savings and loan companies, the Small Business Administration, or private investors
   4. Terry then will have to decide where to borrow the money based on the interest rates, years of loan, and so on

C. Terry thinks that two persons will have to be employed. This means that the people factor will be part of the decision to open a supermarket. The people factor will involve the following:

   1. Terry must determine the types of skills the employees must have to perform the duties required by their jobs

ANSWERS TO ASSIGNMENT SHEETS

2. Terry must determine if there are sources from which these employees can be recruited

3. If sources are available, Thomas must determine if his business can afford to pay the salaries required by qualified persons

Terry must be able to hire qualified employees at a wage affordable by the business. If this cannot be done, then the business cannot be opened

D. Terry must determine if there is a need for a supermarket in the area in which the business would be located. If there is not, the supermarket should not be opened. If there is a need, Terry must define the customers or group of customers to which the business desires to sell its products. Terry will have to decide what type of supermarket to open in order to attract and satisfy the needs of these customers

E. Evaluated to the satisfaction of the instructor

F. Evaluated to the satisfaction of the instructor

Assignment Sheet #3

A. 3

B. 4

C. 1

D. 1

E. 2

Assignment Sheet #4--Evaluated to the satisfaction of the instructor

Assignment Sheet #5--Evaluated to the satisfaction of the instructor

STARTING A SMALL BUSINESS
UNIT I

TEST

NAME ________________________________ SCORE ______________

1. Match terms associated with starting a small business to their correct definitions. Write the correct numbers in the blanks. Definitions are continued on the next page.

_____a. Federal governmental agency established to assist small business owners

_____b. Business that is independently owned and not dominant in its field of operation

_____c. Money, buildings, machines, and investments that are used or available to make products or services

_____d. Items purchased for use by the company and used for a long period of time

_____e. Money the owner(s) invest in a business

_____f. Profits used by the business for purposes of expansion and upgrading facilities and equipment

_____g. Capital used for daily operational expenses incurred by a business

_____h. Any capital that is loaned to a company by others

_____i. Contract to use an item without purchasing it

_____j. French word meaning "enterpriser"; a person who owns his or her own business

_____k. Personal or business possessions that a borrower assigns to a lender as a pledge of debt repayment

_____l. Type of financial institution which lends money to business owners

_____m. Associations formed to encourage and help businesses to start within a local community

1. Borrowed capital
2. Capital
3. Collateral
4. Small business
5. Commercial finance company
6. Community development agency
7. Entrepreneur
8. Small Business Administration
9. Fixed capital
10. Lease
11. Owned capital
12. Retained capital
13. Working capital
14. Sales finance company
15. Commercial bank
16. Factoring company
17. SCORE (Service Corps of Retired Executives)

TEST

_____n. Type of financial institution which provides capital to businesses which sell on credit

_____o. Firm which specializes in making loans to businesses based upon their accounts receivable

_____p. Type of financial institution which accepts checking and savings accounts and makes loans to individuals and businesses; the most common lenders to small businesses

_____q. Association of retired business executives who volunteer consultant services to small business owners

2. Select from the following list factors which relate to business "bigness" or "smallness." Write an "X" in the blank before each correct answer.

_____a. Dollar value of sales

_____b. Number of branch operations

_____c. Scope of business

_____d. Type of business

_____e. Number of employees

_____f. Number of managers

_____g. Size of competitors

3. Describe services provided by the Small Business Administration.

a. Management consultants--____

____

____

____

b. Loan administrators--____

____

____

____

TEST

c. Contract locators--____

4. Arrange in order steps used in writing a plan for small business ownership. Write a "1" in the blank before the first step, a "2" before the second step, and so on.

_____a. Analyze the market

_____b. Provide a management plan

_____c. Prepare cover letter

_____d. Describe type of goods sold or produced, or the service performed

_____e. Describe marketing strategies

_____f. Provide financial data and projections

_____g. Give a description of the company

5. Describe primary factors which determine business success or failure.

a. Management factors--____

TEST

b. People factors--______________________________

c. Money factors--______________________________

TEST

d. Market factors--________________________________

6. List four secondary factors which affect business success or failure.

a. ________________________________

b. ________________________________

c. ________________________________

d. ________________________________

7. Distinguish between types of capital expenses incurred when starting a small business. Write an "F" in the blanks before fixed capital expenses, and a "W" before working capital expenses.

_____a. Building

_____b. Advertising

_____c. Supplies

_____d. Salaries

_____e. Interest on borrowed money

_____f. Fixtures

_____g. Insurance

TEST

______h. Utilities

______i. Equipment

______j. Taxes

______k. Rent

8. Match sources of capital used by entrepreneurs to the correct type of capital. Write the correct numbers in the blanks. Answers may be used more than once.

______a. Suppliers

______b. Small Business Administration

______c. Personal savings

______d. Individual investors

______e. Commercial banks

______f. Commercial finance companies

______g. Sales finance companies

______h. Mortgage on personal property

______i. Profits used for expansion and upgrading

______j. Community development agencies

______k. Insurance companies

______l. Factoring companies

1. Owned capital
2. Retained earnings
3. Borrowed capital

9. List documentation usually required by banks and the Small Business Administration to process loan requests.

a. ____

b. ____

c. ____

d. ____

e. ____

f. ____

g. ____

h. ____

TEST

10. List regulations which must be considered by entrepreneurs.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

11. Distinguish among various types of taxes levied upon businesses. Write an "F" in the blanks before federal taxes, an "S" before state taxes, and an "L" before local taxes. There may be more than one correct answer.

______a. Unemployment tax

______b. Employee income tax

______c. Employee social security tax

______d. Sales tax

______e. Licenses

______f. Real estate tax

______g. Personal property tax

______h. Business income tax

______i. Owner-manager's and/or corporate income tax

______j. Excise tax

12. Select from the following list reasons small business entrepreneurs need assistance and information. Write an "X" in the blank before each correct answer.

______a. Small business people do not take time to plan their business operations and find it difficult to handle problem situations

______b. Small business people usually have less management experience and less opportunity for exposure to many business activities than large business people

______c. Small businesses, because of their limited resources, must take a more economical approach to decision making

______d. Small business people usually have less time to devote to any one decision or activity than large business people

TEST

13. List business activities which frequently require assistance and information.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

14. List seven major sources of information and assistance available to small business owners.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

f. ______________________________

g. ______________________________

(NOTE: Test questions 15-19 list the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

15. Analyze primary success and failure factors for a small service business.

16. Analyze primary success and failure factors for a small retail business.

17. Analyze reasons for selected small business failures.

18. Request information on starting a small business.

19. Evaluate your ability to start a small business.

STARTING A SMALL BUSINESS
UNIT I

ANSWERS TO TEST

1. a. 8
   b. 4
   c. 2
   d. 9
   e. 11
   f. 12
   g. 13
   h. 1
   i. 10
   j. 7
   k. 3
   l. 5
   m. 6
   n. 14
   o. 16
   p. 15
   q. 17

2. a, d, e, g

3. Description should include
   a. Management consultants
      1) Recommend products to produce or to sell
      2) Recommend sources to finance operations
      3) Recommend marketing strategies
      4) Provide training courses
      5) Provide references for solutions to small business management problems
   b. Loan administrators
      1) Establish standards for loan approval
      2) Provide loans to small businesses
   c. Contract locators--Assist small businesses in obtaining government contracts

4. a. 3
   b. 6
   c. 1
   d. 4
   e. 5
   f. 7
   g. 2

ANSWERS TO TEST

5. Description should include
    a. Management factors
        1) Personal qualifications
            a) Willingness to work long hours
            b) Desire to learn
            c) Ability to bounce back after a setback
            d) Willingness to take risks
            e) Ability to get along with others
            f) Ability to communicate
            g) Ability to sell
            h) Ability to lead
            i) Ability to make decisions
            j) Ability to organize
        2) Professional qualifications
            a) Management knowledge
            b) Technical knowledge
            c) Ability to develop plans and objectives
                1. Financial planning
                2. Organizational planning
                3. Projects and activities planning
    b. People factors
        1) Recruiting, interviewing, and selecting personnel
            a) Recruiting sources
            b) Interviewing skills
        2) Personnel practices
            a) Pay and fringe benefits
            b) Working conditions

ANSWERS TO TEST

c) Grievance procedures

d) Positive discipline

e) Administrative procedures

f) Training

c. Money factors

1) Capital and sources

2) Financial management

a) Analysis of financial statements

b) Tax management

3) Pricing and credit

4) Budgets, cost controls, and records

d. Market factors

1) Market and market objectives

a) Analysis of the product or service

b) Definition of the market

c) Sources of supply

d) Competition

e) Location

f) Layout

2) Marketing plan

a) Direct sales effort

b) Advertising and promotion

6. a. Product

b. Suppliers

c. Equipment

d. Systems factors

ANSWERS TO TEST

7. a. F
   b. W
   c. W
   d. W
   e. W
   f. F
   g. W
   h. W
   i. F
   j. W
   k. W

8. a. 3
   b. 3
   c. 1
   d. 3
   e. 3
   f. 3
   g. 3
   h. 1
   i. 2
   j. 3
   k. 3
   l. 3

9. a. Resume' of the applicant's education and work experience
   b. Entrepreneur's personal financial statement showing net worth
   c. Credit references
   d. Complete business plan
   e. Copy of lease agreement
   f. Copy of insurance policies
   g. Copy of franchise agreement, if applicable
   h. Collateral as requested

10. a. Federal
    b. State
    c. Local
    d. Self

ANSWERS TO TEST

11. a. F, S
    b. F, S
    c. F
    d. S, L
    e. S, L
    f. L
    g. L
    h. S
    i. F
    j. F

12. b, c, d

13. a. Marketing decisions
    b. Financial planning
    c. Labor relations activities
    d. Equipment evaluation

14. Answer should include any seven of the following
    a. Federal government agencies
    b. Chambers of commerce
    c. Community business development councils
    d. Trade associations
    e. Credit bureaus
    f. Better business bureaus
    g. Associations of business people
    h. Special libraries and information centers
    i. Business professionals
    j. Daily contacts

15. Evaluated to the satisfaction of the instructor

16. Evaluated to the satisfaction of the instructor

17. Evaluated to the satisfaction of the instructor

18. Evaluated to the satisfaction of the instructor

19. Evaluated to the satisfaction of the instructor

SETTING UP THE BOOKS
UNIT II

UNIT OBJECTIVE

After completing this unit, the student should be able to analyze financial statements used by small businesses. This knowledge will be shown by completing assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with setting up the books of a small business to their correct definitions.
2. State objectives of an accounting system.
3. List sources of assistance available to small businesses when establishing an accounting system.
4. Select from a list types of financial statements used by small businesses.
5. Distinguish between items included in the sections of a balance sheet.
6. Distinguish among items included in the sections of an income statement.
7. Describe advantages of profit planning.
8. State ways profit plans are used by small businesses.
9. Arrange in order steps used to prepare a sales and expense forecast report.
10. Arrange in order steps used in completing a cash flow worksheet.
11. Describe ways to increase operational efficiency.
12. Complete a daily proof of cash report.
13. Prepare a balance sheet.
14. Prepare an income statement.
15. Analyze a comparative operating statement.
16. Analyze a sales and expense forecast report.

SETTING UP THE BOOKS
UNIT II

SUGGESTED ACTIVITIES

I. Suggested activities

- A. Order materials planned to supplement unit.
- B. Make transparencies.
- C. Provide students with objective sheet.
- D. Provide students with information and assignment sheets.
- E. Discuss unit and specific objectives.
- F. Discuss information and assignment sheets.
- G. Give test.
- H. Reteach and retest if necessary.

II. Instructional materials

- A. Objective sheet
- B. Suggested activities
- C. Information sheet
- D. Transparency masters
  1. TM #1--Operating Expenses
  2. TM #2--Sales and Expense Forecast Report
- E. Assignment sheets
  1. Assignment Sheet #1--Complete a Daily Proof of Cash Report
  2. Assignment Sheet #2--Prepare a Balance Sheet
  3. Assignment Sheet #3--Prepare an Income Statement
  4. Assignment Sheet #4--Analyze a Comparative Operating Statement
  5. Assignment Sheet #5--Analyze a Sales and Expense Forecast Report
- F. Answers to assignment sheets
- G. Test
- H. Answers to test

SUGGESTED ACTIVITIES

III. Unit references

A. Boettcher, Julie N., and Ronald M. Hutkin. *Personnel Development for Entrepreneurs.* Lincoln, Nebraska: Research Coordinating Unit for Vocational Education, 1978.

B. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

C. U.S. Small Business Administration. *Business Basics: The Profit Plan.* Washington, D.C.: U.S. Government Printing Office, 1980.

SETTING UP THE BOOKS
UNIT II

INFORMATION SHEET

I. Terms and definitions

A. Assets--Property, cash, or other items of value owned by an individual or firm

B. Balance sheet--Statement showing a business' financial position in terms of assets, liabilities, and owner's equity on a specific date

C. Capital--Funds used to start or to operate a business

(NOTE: This is a second definition for *capital*, which is also defined as "money, buildings, machinery, and investments that are used or available to make products or services.")

D. Cash flow--Continuous movement of money which is received from operations and disbursed to pay business expenses

E. Cost of goods sold (COGS)--Price a business pays for merchandise

F. Credit--Advancement of cash, merchandise, or other commodity in exchange for a promise to pay a specific sum at a future date

G. Current assets--Cash, or such assets as accounts receivable and inventory that are converted into cash in normal business operations; assets which are easily liquidated

H. Current debt--Debts due within a year, including payments on long-term loans and any anticipated payables such as taxes

I. Current liabilities--Liabilities payable within one year

EXAMPLES: Accounts payable, merchandise purchased but not paid, short-term notes payable, accrued expenses such as salaries not paid

J. Depreciation--Process of writing off as an expense the cost of an asset over its useful life

K. Expenses--Liabilities incurred through business operations

(NOTE: Expenses include resources used to generate revenue.)

L. Financial management--Direction and coordination of business capital to accomplish the goals of the business

M. Financial statement--Summary of facts which show some aspect of the financial condition of a business

INFORMATION SHEET

N. Fixed assets--Permanent business properties that are not resold or converted into cash in normal business operations

EXAMPLES: Land, buildings, machinery, equipment, fixtures

O. Fixed liabilities--Liabilities with a payment period of more than one year, having balances which are not due within the next twelve months

P. Forecast--Worksheet representing some aspect of a business' planned financial activities

Q. Gross profit--Revenue less cost of goods sold

R. Income statement--Statement showing operating results in terms of revenues and expenses over a period of time

S. Liability--An economic debt

T. Liquidate--To convert assets into cash

U. Net income--Operating income less any expenses not previously deducted, such as taxes

V. Net loss--Financial situation in which total assets are less than total liabilities

(NOTE: This condition is commonly called "operating in the red.")

W. Net profit--Financial situation in which total assets are greater than total liabilities

(NOTE: This condition is commonly called "operating in the black.")

X. Net worth--Book dollar value of an individual or business when liabilities have been subtracted from assets

(NOTE: Net worth is also called owner's equity and is shown on financial statements.)

Y. Operating expenses--Expenses that are incurred through the normal operation of a business

EXAMPLES: Selling, distribution, administrative, and general expenses

Z. Operating income--Money generated from the normal operations of a business; gross profit less operating expenses

AA. Revenue--Income from the sale of products or services, rent or interest earned, and/or gains on the sale of assets

INFORMATION SHEET

II. Objectives of an accounting system

(NOTE: Lack of adequate records is seen as a recurring problem in at least 90 percent of all small businesses that fail.)

A. To provide information on the firm's financial position

(NOTE: This information is recorded on a *balance sheet*.)

B. To provide information on the firm's profitability

(NOTE: This information is recorded on an *income statement*.)

C. To facilitate profit planning and budgeting

D. To provide a control device for facilitating analysis and comparison of current financial data with past records

E. To reduce the chances of theft, fraud, or bad debt

F. To provide information required for filing tax reports

G. To provide information to creditors when establishing commercial credit

III. Sources of assistance available to small businesses when establishing an accounting system

(NOTE: It is very important that the small business owner consult an individual who is highly competent in accounting systems. Although a Certified Public Accountant (CPA) is not required, a CPA is recommended to care for the firm's books.)

A. Accountant

B. Trade associations

C. Commercial agencies

D. Small Business Administration

IV. Types of financial statements used by small businesses (Assignment Sheet #1)

A. Daily operation forms (Assignment Sheet #1)

EXAMPLE: Daily proof of cash report

B. Balance sheet

C. Income statement

(NOTE: Income statements are also called *profit and loss statements* and *operating statements*.)

D. Comparison summary reports

E. Sales and expense forecast

INFORMATION SHEET

V. Items included in the sections of a balance sheet (Assignment Sheet #2)

EXAMPLE:

THE COUNTRY SHOP
BALANCE SHEET
DECEMBER 31, 1984

ASSETS			
Current Assets			
Cash		$ 7,000	
Accounts Receivable		10,000	
Notes Receivable		500	
Inventory		12,000	
Prepaid Insurance		200	
Supplies on hand		300	
Total Current Assets			$ 30,000
Property, Plant and Equipment			
Store fixtures	$ 4,100		
Less: Accumulated Depreciation	800	$ 3,300	
Delivery Equipment	$ 8,000		
Less: Accumulated Depreciation	3,000	5,000	
Office Equipment	$ 3,400		
Less: Accumulated Depreciation	1,200	2,200	
Total Property, Plant and Equipment			10,500
Total Assets			$ 40,500
LIABILITIES AND OWNER'S EQUITY			
Current Liabilities			
Accounts Payable		$ 6,000	
Notes Payable		2,000	
Total Current Liabilities			$ 8,000
Long-term Liabilities			
Mortgage Payable			6,000
Owner's Equity			
Thomas Wilson, Capital			26,500
Total Liabilities and Owner's Equity			$ 40,500

A. Assets

1. Current assets

a. Cash

b. Accounts receivable

c. Merchandise inventory

INFORMATION SHEET

2. Fixed assets
    a. Land
    b. Buildings
    c. Equipment
    d. Furniture and fixtures

B. Liabilities and capital

1. Current liabilities
    a. Accounts payable
    b. Notes payable, due within one year
    c. Payroll taxes
    d. Sales taxes
2. Long-term liabilities

    (NOTE: These include all notes payable over more than a one-year payment period.)
3. Capital
    a. Proprietor's capital, beginning of the period
    b. Net profit for the period
    c. Proprietor's drawings

        (NOTE: This is shown as a minus or negative figure.)
    d. Increase in capital
    e. Capital, end of period

INFORMATION SHEET

VI. Items included in the sections of an income statement (Transparency #1; Assignment Sheets #3 and #4)

EXAMPLE:

THE COUNTRY SHOP
INCOME STATEMENT
FOR THE MONTH OF DECEMBER 1984

Income				
Sales				$82,700
Less: Sales Return and Allowances			$ 500	
Sales Discounts			1,200	1,700
Net Sales				$81,000
Cost of Goods Sold				
Inventory (December 1)			$14,000	
Add: Net Purchases				
Purchases		$42,800		
Less: Purchase Returns and Allowances	$ 1,000			
Purchase Discounts	800	1,800		
		$41,000		
Add: Transportation In		500	41,500	
Cost of Goods Available for Sale			$55,500	
Less: Inventory (December 31)			12,800	
Cost of Goods Sold				42,700
Gross Profit on Sales				$38,300
Operating Expenses				
Selling Expenses				
Salesperson's Salaries		$10,500		
Delivery Expenses		3,000		
Advertising		350		
Depreciation on Delivery Equipment		100		
Total Selling Expenses			$13,950	
Administrative Expenses				
Rent Expense		$ 3,600		
Office Salaries		8,000		
Utilities Expense		760		
Supplies Used		150		
Total Administrative Expenses			12,510	
Total Operating Expenses				26,460
Operating Income				$11,840
Less: Taxes on Operating Income				2,550
Net Income for December				$ 9,290

A. Income

1. Net sales

INFORMATION SHEET

2. Cost of goods sold

3. Gross profit

   (NOTE: The following is the formula for determining gross profit, also called *gross margin*: Net sales minus cost of goods sold equals gross profit.)

B. Expenses (Transparency #1)

(NOTE: Gross margin minus total expenses equals net profit.)

1. Salaries and wages
2. Rent
3. Utilities
4. Repairs and maintenance
5. Delivery expense
6. Supplies
7. Advertising
8. Depreciation
9. Bad debts
10. Taxes and licenses
11. Insurance
12. Interest paid on loans
13. Miscellaneous expenses

C. Other income

VII. Advantages of profit planning

(NOTE: Because profit plans are based on estimates, they have built-in limitations. Despite this fact, a realistic plan, established annually and reevaluated as necessary to meet changing conditions, can help control every aspect of business operation with only minimal research into financial records.)

A. Provides a continuing standard against which sales performance and cost control may be quickly evaluated

B. Makes personnel aware of their responsibilities for meeting sales objectives, controlling costs, and maintaining appropriate levels of performance

INFORMATION SHEET

C. Reduces unnecessary costs and overspending by allowing management to identify areas quickly where cost excesses and planned expenditures may be compared

D. Permits early detection of potential problems so that their causes and extent are known and action is taken to correct them

E. Allows management to take advantage of future opportunities and to avoid many crises which might not otherwise have been considered

F. Serves as a basis for financial planning

EXAMPLES: Increased investment in receivables, inventory, facilities, and capital

G. Inspires the confidence of prospective creditors and/or investors

VIII. Ways profit plans are used by small businesses

A. To evaluate operations and detect areas of unsatisfactory performance so that corrective action may be taken

B. To determine the need for additional resources

EXAMPLE: The profit plan may show that a sharp increase in expected sales will overload the firm's accounting and/or sales departments; a decision can then be made to add additional invoicing personnel and salespeople to meet the increased demand.

C. To plan purchasing requirements

(NOTE: Planning will permit the firm to take advantage of cost savings and ensure that purchased goods are readily available as needed.)

D. To anticipate any additional financial needs

IX. Steps used to prepare a sales and expense forecast report (Transparency #2; Assignment Sheet #5)

A. Forecast sales and gross profit

(NOTE: Sales and gross profit must be considered together because they are closely interrelated; gross profit percentages are determined by pricing policy, which also affects expected sales volume. A decision to increase the expected gross profit percentage will usually tend to decrease expected sales, while reducing the expected gross profit percentage should increase sales.)

1. Select sales categories

EXAMPLES: Analyze sales by product, by selling department, by sales territory.

2. Divide current sales among selected categories

INFORMATION SHEET

3. Analyze gross profit percentage(s)

   (NOTE: This is also known as *markup percentage* or *current gross profit percentage*. It is usually the best indicator of pricing policy and may reflect a significant impact of sales volume. Gross profit percentages should be in line with industry averages.)

   EXAMPLE:

WESTERN APPLIANCES, INC.
PROFIT PERCENTAGE ANALYSIS

	1983 Actual	1982 Actual	Industry Average	1983 Objective
Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	80.0%	80.5%	81.8%	80.7%
Gross Profit	20.0%	19.5%	18.2%	19.3%
Total Expenses	17.9%	18.6%	14.7%	17.2%
Profit Before Taxes	2.1%	0.9%	3.5%	2.1%

4. Analyze sales performance

   EXAMPLE:

WESTERN APPLIANCES, INC.
CUSTOMER SALES ANALYSIS - GIANT DISCOUNT

	1982 Actual			1983 Forecast		
Product Line	Sales	Gross Profit	%	Sales	Gross Profit	%
Televisions	$160,000	$16,000	10.0%	$184,800	$18,500	10.0%
Automotive radios	20,000	6,000	30.0	---	---	---
Table radios	30,000	6,000	20.0	34,700	6,900	19.9
Stereos	40,000	7,000	17.5	46,200	8,300	18.0
Small appliances	50,000	10,000	20.0	57,800	11,600	20.0
Total	$300,000	$45,000	15.0%	$323,500	$45,300	14.0%

5. Evaluate pricing strategy and make necessary changes

B. Forecast expenses

(NOTE: For purposes of comparison, it is often useful to express each expense as a percentage of total sales.)

1. Compare variable expenses to performance in past years, industry averages, and current year objectives

2. Compare fixed expenses to performance in past years, industry averages, and current year objectives

3. Identify excessive expenses based on comparisons made

4. Plan corrective action to bring excessive expenses in line

INFORMATION SHEET

C. Write the sales and expense forecast report (Transparency #2)

EXAMPLE:

WESTERN APPLIANCES, INC.
SALES AND EXPENSE FORECAST
JANUARY 1 TO DECEMBER 31, 1984

	1983 ACTUAL	1983 (% SALES)	1982 ACTUAL	1982 (% SALES)	INDUSTRY (% SALES)	REVISED 1984 FORECAST
Sales	$1,200,000	100.0%	$1,080,000	100.0%	100.0%	$1,400,000
Cost of Sales	960,000	80.0	880,000	81.5	81.8	1,120,000
Gross Profit	$ 240,000	20.0%	$ 200,000	18.5%	18.2%	$ 280,000
Operating Expenses						
Salary-Owner	$ 24,000	2.0%	$ 20,000	1.9%	1.7%	$ 26,000
Salary-Office Manager	17,000	1.4	16,000	1.5	(Office Sal: 4.9%)	18,000
Salaries-Salespeople	12,000	1.0	11,000	1.0	(Selling & Deliv.	12,000
Commissions Salespeople	24,000	2.0	22,000	2.0	Expense: 7.6%)	28,000
Salaries-Warehouse	22,000	1.8	18,000	1.7		23,000
Salaries-Clerical	12,000	1.0	10,000	0.9		14,000
Payroll Taxes	9,000	0.8	8,000	0.7		10,000
Employee Benefits	8,000	0.7	6,000	0.6		9,000
Rent	9,000	0.8	9,000	0.8	0.7	10,000
Utilities	4,000	0.3	3,000	0.3		4,000
Telephone	4,000	0.3	2,000	0.2		3,000
Supplies	2,000	0.2	1,000	0.1		2,000
Advertising and Promotion	13,000	1.1	12,000	1.1		15,000
Travel and Entertainment	13,000	1.1	10,000	0.9		13,000
Freight	16,000	1.3	16,000	1.5		18,000
Professional Fees	5,000	0.4	4,000	0.4		5,000
Depreciation	6,000	0.5	5,000	0.5	0.5	8,000
Total Operating Expenses	$ 200,000	16.7%	$ 173,000	16.1%		$ 218,000
Profit Before Interest and Taxes	$ 40,000	3.3%	$ 27,000	2.6%		$ 62,000
Interest	15,000	1.3	12,000	1.1		17,000
Profit Before Income Taxes	$ 25,000	2.0%	$ 15,000	1.5%	2.5%	$ 45,000
Income Taxes	6,000	0.5	4,000	0.4		15,000
Net Profit	$ 19,000	1.5%	$ 11,000	1.1%		$ 30,000

INFORMATION SHEET

X. Steps used in completing a cash flow worksheet

(NOTE: Small business owners should estimate cash flow requirements over a six-month period and review cash flow activity monthly in order to make necessary adjustments.)

EXAMPLE:

SIX-MONTH CASH FLOW WORKSHEET

	MONTH 1		MONTH 2		MONTH 3		MONTH 4		MONTH 5		MONTH 6	
	Estim.	Actual	Estim.	Actual	Estim.	Actual	Estim.	Actual	Estim.	Actual	Estim.	Actual
NET PROJECTED SALES (monthly)												
% Current Month Sales												
% Previous Month Sales												
% Sales 2 Months Previous												
% Sales 3 Months Previous												
% Sales 4 Months Previous												
Cash Received from Investments												
Other Cash Receipts												
TOTAL CASH RECEIPTS												

INFORMATION SHEET

Six-month Cash Flow Worksheet (Continued)

	MONTH 1		MONTH 2		MONTH 3		MONTH 4		MONTH 5		MONTH 6	
	Estim.	Actual	Estim.	Actual	Estim.	Actual	Estim.	Actual	Estim.	Actual	Estim.	Actual
CASH DISBURSEMENTS (during month) Inventory or Raw Material												
Wages (including owner's)												
Taxes												
Equipment Payments												
Overhead												
Selling Expenses												
Transportation												
Loan Payments and Interest												
Other Cash Disbursements												
TOTAL CASH DISBURSEMENTS												
Net Cash Gain or (Loss)												
Cash on Hand and in Bank (beginning of month)												
INDICATED CASH BALANCE OR (SHORTAGE)												
Bank Loans Required												
CASH ON HAND AND IN BANK (end of month)												

INFORMATION SHEET

- A. Estimate cash receipts for the period
- B. Estimate cash disbursements for the period
- C. Calculate net cash gain or loss
- D. Add cash on hand at beginning of period
- E. Compute cash balance or shortage
- F. Project amount of loans necessary

XI. Ways to increase operational efficiency

- A. Maximize cash flow
  - 1. Follow a firm credit-granting/accounts receivable policy
    - a. Prepare periodic accounts receivable aging statements
    - b. Use both tact and persistence to collect accounts
    - c. Add a charge to overdue accounts
    - d. Offer cash discounts for early payment
  - 2. Follow a firm accounts payable policy
    - a. Take advantage of cash discounts offered by suppliers
    - b. Regulate payments on accounts receivable to make maximum use of money

      (NOTE: Businesses may be able to use money owned on accounts receivable more efficiently if they wait until the "last minute" to pay accounts payable.)
    - c. Prepare an age statement for accounts payable

      (NOTE: Follow the same basic steps as those taken in preparing an accounts receivable age statement. An age statement will indicate which payments may be postponed and which must be given immediate attention.)
  - 3. Follow a sound inventory control policy
    - a. Perodically review stock movement figures

      (NOTE: Compare actual-to-planned sales and purchase figures.)
    - b. Clear out unprofitable items
    - c. Determine adequate inventory levels and establish reorder points on merchandise

INFORMATION SHEET

4. Follow a sound fixed asset investment policy

   a. Sell and/or lease back major equipment items and real estate

   b. Consolidate and rearrange existing facilities

   c. Lease facilities, equipment, and fixtures instead of buying

5. Follow a sound sales promotions policy

   a. Periodically review pricing policy

   b. Run special promotions of certain products

   (NOTE: Care should be taken to ensure that sales of regularly priced merchandise are not endangered by special promotions. It might be wise to take advantage of new markets, "factory seconds," or "special purchases" to raise cash quickly.)

   c. Price merchandise for multiple purchases

   (NOTE: Some businesses may go one step further and set minimum order requirements. This practice allows certain firms to direct their efforts toward the biggest markets and eliminate small, "penny-ante" business.)

B. Pinpoint trouble spots

(NOTE: Use business records as primary tools for detecting areas that need improvement.)

1. Look for deterioration of working capital

   (NOTE: There must be sufficient cash flow to take care of daily operational expenses such as employee wages, accounts payable, and other expenses that arise periodically as a result of business activity.)

   a. Owner constantly looking for money instead of running the business

   b. Delinquent accounts payable; discounts not being taken on bills paid

   c. Low bank balance; returned checks

   d. Lower than average current ratio

   (NOTE: The formula for current ratio is current assets divided by current liabilities.)

   e. Lower than industry average acid test ratio

   (NOTE: The formula for acid test ratio is accounts receivable divided by current liabilities.)

INFORMATION SHEET

2. Look for declining sales and profits
    a. No apparent growth in sales; actual sales below forecast
    b. Low sales-to-inventory ratio

        (NOTE: The formula for sales-to-inventory ratio is sales divided by inventory.)

    c. Frequent customer complaints; increases in returned merchandise
    d. Higher than average operating expense ratios

        (NOTE: The formula for operating expense ratio is expense divided by gross sales.)

    e. Lower than average profit-to-sales ratio

        (NOTE: The formula for calculating profit-to-sales ratio is profit divided by sales.)

C. Trim overhead costs

1. Analyze overhead costs every month; maintain adequate records
2. Maintain strict inventory-control policies
3. Assign personnel to be responsible for all purchasing functions
4. Make one person responsible for all receiving operations
5. Maintain high quality control standards
6. Seek out maximum efficiency in insurance coverage
7. Assess charges, as necessary, for providing special customer services
8. Tighten security measures

    EXAMPLES: Maintain written records of all cash and inventory; install mechanical deterrents; curb employee dishonesty.

9. Maintain sound personnel management policies
    a. Review payroll in terms of employee productivity
    b. Provide adequate work area, equipment, and supplies
    c. Provide adequate supervision and training

INFORMATION SHEET

d. Specify and organize procedures for tasks to be performed

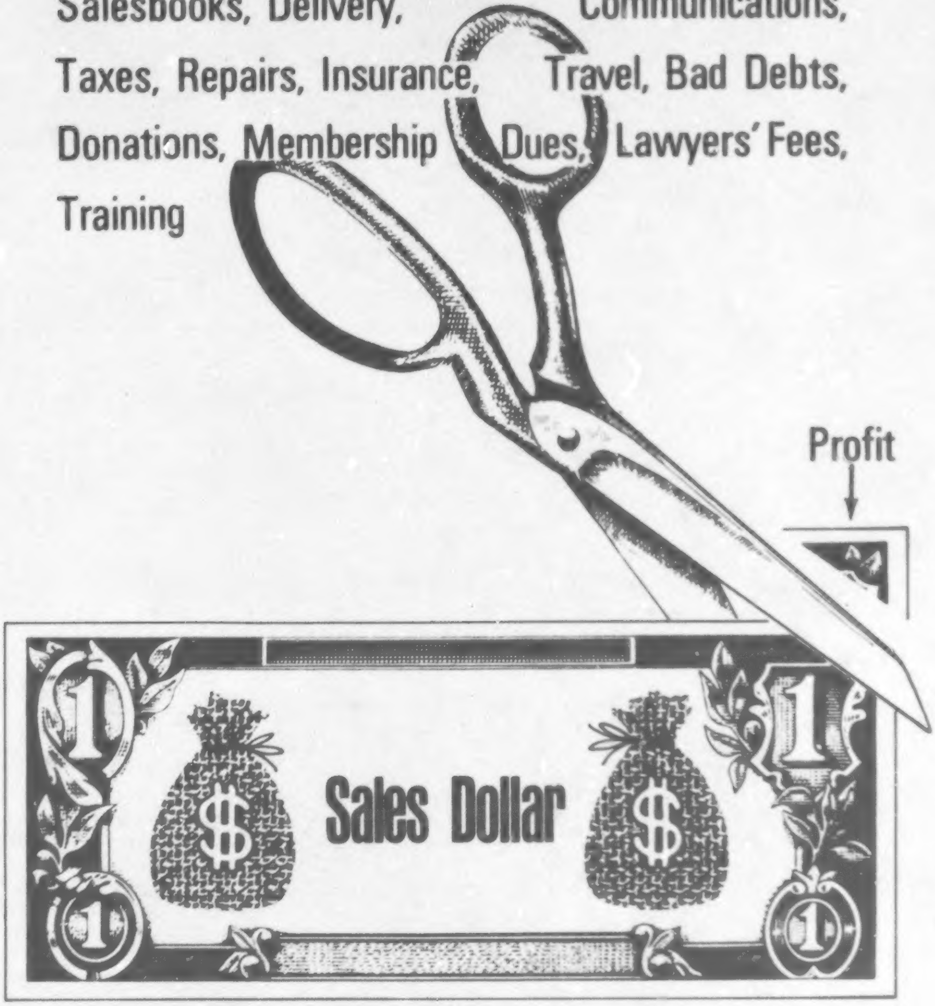
e. Maintain sound discipline and grievance procedures

f. Organize work according to tasks to be performed

g. Maintain strict documentation and controls for making employee loans and pay advances

Operating Expenses

Salaries, Advertising, Depreciation, Rent, Sacks, Salesbooks, Delivery, Communications, Taxes, Repairs, Insurance, Travel, Bad Debts, Donations, Membership Dues, Lawyers' Fees, Training


Profit
1
1
$
Sales Dollar
$
1
1

Sales and Expense Forecast Report

WESTERN APPLIANCES, INC.
SALES AND EXPENSE FORECAST
JANUARY 1 TO DECEMBER 31, 1984

	1983 ACTUAL	1983 (% SALES)	1982 ACTUAL	1982 (% SALES)	INDUSTRY (% SALES)	REVISED 1984 FORECAST
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Net Profit	$ 19,000	1.5%	$ 11,000	1.1%		$ 30,000

TM #2

BMO - 117-G

SETTING UP THE BOOKS
UNIT II

ASSIGNMENT SHEET #1--COMPLETE A DAILY PROOF OF CASH REPORT

NAME ______________________ SCORE ______________

One type of financial record kept by many small retailing and service businesses is the Daily Proof of Cash Report. This report shows daily cash register activity and allows the business manager to check cash handling accuracy.

In this assignment sheet you are given a Daily Proof of Cash Report and the information necessary to complete the form. Review the cash report and fill in the blanks with the correct information.

DAILY PROOF OF CASH REPORT

Date: ______________

1. Change fund . . . . $ __________
2. Cash received (as shown by cash-register reading) . . . . . $ __________
3. Cash paid out . . . . $ __________
4. Net receipts for the day (Item 2 minus Item 3) . . . . $ __________
5. Total (Item 1 plus Item 4) . . . . $ __________
6. Deposited in the bank . . . . $ __________
7. Cash which should be on hand (Item 5 minus Item 6) . . . . $ __________
8. Actual cash on hand . . . . $ __________
9. Cash
   a. Short . . . . $ __________
   b. Over . . . . $ __________

Change fund at the beginning of the day, $50; cash sales for the day, $247.90; money taken from the cash drawer and deposited in the bank during the day, $150; cash paid out during the day for miscellaneous items, $4.78 - $2.91 - $1.04; actual cash on hand at the end of the day, $138.97.

SETTING UP THE BOOKS
UNIT II

ASSIGNMENT SHEET #2--PREPARE A BALANCE SHEET

NAME ______________________________ SCORE ______________

A balance sheet is used to provide information on the firm's financial condition. It shows management that the firm's total assets are equal to its total capital and liabilities. This information is needed to ensure that the books are in order and that everything is "straight."

In this assignment, you will prepare a Balance Sheet based on the data provided below.

PART I--Read the situation

Alvin and Shon is a small business which prepares a balance sheet each month. For the month of April, the records showed the following information: $1,364.60, cash in the bank; $6,624.85, accounts receivable; $35,487.15, merchandise inventory. Supplies total $910.25, and equipment is recorded at a value of $12,600.00. Short-term notes payable equal $2,500.00, and accounts payable are $4,486.85. Proprietor's capital at the beginning of the period was $50,000, and there were no drawings nor net profit recorded during the period.

(NOTE: Use the form on the following page to complete this assignment.)

ASSIGNMENT SHEET #2

PART II--Prepare a balance sheet

BALANCE SHEET

Date: ____________________, _______

ASSETS

Current assets:
  Cash
    Cash in bank ____________
    Petty cash ____________
  Accounts receivable ____________
  Supplies ____________
  Merchandise inventories ____________
    Total current assets ____________

Fixed assets:
  Land ____________
  Buildings ____________
  Equipment ____________
  Delivery ____________
  Furniture and fixtures ____________
    Less allowance for depreciation-(____________)
  Leasehold improvements, less amortization ____________
    Total fixed assets ____________

Total assets ____________

LIABILITIES AND CAPITAL

Current liabilities:
  Accounts payable ____________
  Notes payable, due within one year ____________
  Payroll taxes and withheld taxes ____________
  Sales taxes ____________

Long-term liabilities:
  Notes payable, due after one year ____________
Total liabilities ____________

Capital:
  Proprietor's capital, beginning of period ____________
  Net profit for the period ____________
  Less proprietor's drawings ____________
  Increase in capital ____________
    Capital, end of period ____________

Total liabilities and capital ____________

SETTING UP THE BOOKS
UNIT II

ASSIGNMENT SHEET #3--PREPARE AN INCOME STATEMENT

NAME ________________________________ SCORE ______________

Income statements are used to provide information on the firm's profitability. It is much easier to summarize the information on a financial report and analyze effectively the firm's position than it is to look at a series of independent numbers.

In this assignment you are given a situation involving the need to analyze the firm's profitability. Use the information provided in the case study to construct an income statement.

PART I--Read the case study

You are one of three partners involved in operating a small business. One of the partners, Jessica, is responsible for caring for the firm's books. At the end of each year, Jessica presents the other partners with a financial statement showing the firm's profit or loss. This year, however, Jessica is in the hospital when you need to examine your records and make some decisions for next year. You have decided to prepare this year's income statement and present it to Jessica and your third partner for review. As you look through the firm's books, you find the following information: Sales volume was $98,400.36; returns amounted to $985.68; cost of goods sold from inventory was $34,332.56; new purchases were $48,631.79, plus transportation charges of $831.64. You carried over an inventory at the end of last year amounting to $27,197.06.

Expenses for operating the business for salaries were $14,739.57; taxes and licenses came to $1,942.88. Rent was $4,126.80; interest on borrowed money, $2,765.30; advertising, $519.91; professional services, $606.20; insurance, $1,297.56; truck expense, $642.12; telephone and postage, $640.46, and utilities of $948.45. Bad debts were an all-time high at $1,398.65, and miscellaneous expenses which were paid out of petty cash amounted to $634.72. The firm was able to collect some of its bad debts from last year in the amount of $254.18.

After double-checking all of the firm's records, you are satisfied that you have all of the necessary information to prepare an income statement.

(NOTE: Use the form on the next page to complete this assignment.)

ASSIGNMENT SHEET #3

PART II--Prepare an income statement

INCOME STATEMENT

Ending Date: ____________________

INCOME

COST OF GOODS SOLD

GROSS PROFIT

EXPENSES

TOTAL EXPENSES

OTHER INCOME

NET PROFIT/LOSS

SETTING UP THE BOOKS
UNIT II

ASSIGNMENT SHEET #4--ANALYZE A COMPARATIVE OPERATING STATEMENT

NAME ____________________ SCORE ____________

A primary purpose of developing financial statements is to allow management to analyze and compare current financial data with past records. This process assists management in deciding what changes should be made in future business operations. Comparisons of financial statements are usually done for corresponding periods in the preceding year(s).

In this assignment sheet you are given a Comparative Operating Statement and several questions. Carefully examine the statement and answer the questions provided.

PART I--Examine a Comparative Operating Statement

(NOTE: The statement may be found on the following page.)

ASSIGNMENT SHEET #4

Comparative Operating Statement

AJAX COMPANY

Years ended December 31, 1983, and December 31, 1982

	YEAR ENDED DECEMBER 31		CHANGE
	1983	1982	+/–
Income:			
Sales	$37,796.75	$30,694.38	$ 7,102.37
Florist Telegraph Delivery incoming orders	700.90	-0-	700.90
	$38,497.65	$30,694.38	$ 7,803.27
Cost of sales:			
Inventory at beginning of year	$ 350.00	$ 175.00	$ 175.00
Purchases:			
Flowers	13,524.72	11,196.69	2,328.03
Potted plants	2,115.15	2,038.40	76.75
Other	4,779.47	4,431.58	347.89
	$20,769.34	$17,841.67	$ 2,927.67
Less inventory at end of year	(425.00)	(350.00)	(75.00)
	$20,344.34	$17,491.67	$ 2,852.67
GROSS PROFIT	$18,153.31	$13,202.71	$ 4,950.60
Expenses:			
Salaries and wages	$ 3,185.03	$ 1,008.52	$ 2,176.51
Automobile expense	977.62	868.06	109.56
Depreciation	445.48	344.42	101.06
Advertising	1,263.59	1,001.98	261.61
Interest	35.97	-0-	35.97
Office supplies	328.89	208.62	120.27
Telephone and telegraph	656.49	408.96	247.53
Postage	150.41	85.98	64.43
Rent	2,400.00	2,400.00	-0-
Taxes	1,133.42	672.14	461.28
Utilities	644.94	765.74	120.80*
Bad debts	75.39	89.18	13.79*
Clearinghouse expense	59.67	-0-	59.67
Commissions paid on incoming orders	131.68	-0-	131.68
Miscellaneous	1,016.12	974.32	41.80
TOTAL EXPENSES	$12,504.70	$ 8,827.92	$ 3,945.96
NET PROFIT BEFORE OTHER INCOME	$ 5,648.61	$ 4,374.79	$ 1,004.64
Other income:			
Commissions on outgoing orders	273.66	-0-	273.66
NET PROFIT	$ 5,922.27	$ 4,374.79	$ 1,278.30

ASSIGNMENT SHEET #4

PART II--Analyze a comparative operating statement

A. Did total sales increase or decrease during the second period?

B. By what percent did total sales change during the second period?

C. Did gross profit increase or decrease during the second period?

D. By what percent did gross profit change during the second period?

E. Did total expenses increase or decrease during the second period?

F. By what percent did total expenses change during the second period?

ASSIGNMENT SHEET #4

G. Which items of expense were larger, in terms of percent of sales, during the second period?

H. What reasons might have caused those expenses listed in G to have increased as a percent of sales during the second period?

SETTING UP THE BOOKS
UNIT II

ASSIGNMENT SHEET #5--ANALYZE A SALES AND EXPENSE FORECAST REPORT

NAME ______________________________ SCORE ______________

A sales and expense forecast report is the method used by most businesses to show profit planning projections. The two primary advantages of planning profit are (1) to provide a continuing standard against which sales performance and cost control may be quickly evaluated, and (2) to permit early detection of potential problems and take appropriate action to ensure the firm's profitability.

In this assignment sheet you will review a Sales and Expense Forecast Report and analyze the data given by answering the series of questions which follow.

ASSIGNMENT SHEET #5

PART I--Examine a Sales and Expense Forecast Report

WESTERN APPLIANCES, INC.
SALES AND EXPENSE FORECAST
JANUARY 1 TO DECEMBER 31, 1984

	1983 ACTUAL	1983 (% SALES)	1982 ACTUAL	1982 (% SALES)	INDUSTRY (% SALES)	REVISED 1984 FORECAST
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Commissions- Salespeople	24,000	2.0	22,000	2.0	Expense: 7.6%)	28,000
Salaries-Warehouse	22,000	1.8	18,000	1.7		23,000
Salaries-Clerical	12,000	1.0	10,000	0.9		14,000
Payroll Taxes	9,000	0.8	8,000	0.7		10,000
Employee Benefits	8,000	0.7	6,000	0.6		9,000
Rent	9,000	0.8	9,000	0.8	0.7	10,000
Utilities	4,000	0.3	3,000	0.3		4,000
Telephone	4,000	0.3	2,000	0.2		3,000
Supplies	2,000	0.2	1,000	0.1		2,000
Advertising and Promotion	13,000	1.1	12,000	1.1		15,000
Travel and Entertainment	13,000	1.1	10,000	0.9		13,000
Freight	16,000	1.3	16,000	1.5		18,000
Professional Fees	5,000	0.4	4,000	0.4		5,000
Depreciation	6,000	0.5	5,000	0.5	0.5	8,000
Total Operating Expenses	$ 200,000	16.7%	$ 173,000	16.1%		$ 218,000
Profit Before Interest and Taxes	$ 40,000	3.3%	$ 27,000	2.6%		$ 62,000
Interest	15,000	1.3	12,000	1.1		17,000
Profit Before Income Taxes	$ 25,000	2.0%	$ 15,000	1.5%	2.5%	$ 45,000
Income Taxes	6,000	0.5	4,000	0.4		15,000
Net Profit	$ 19,000	1.5%	$ 11,000	1.1%		$ 30,000

ASSIGNMENT SHEET #5

PART II--Analyze a sales and expense forecast report

A. In which areas is Western Appliances, Inc. planning increases?

B. In which areas is Western Appliances, Inc. not expecting increases? Explain possible reasons for no increase in these areas.

ASSIGNMENT SHEET #5

C. It would seem to make sense that Western Appliances, Inc. would plan to increase profit; but why would they want to increase expenses by such a large percentage (9 percent)? Explain your answer.

SETTING UP THE BOOKS
UNIT II

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1

DAILY PROOF OF CASH REPORT

Date: (Today's Date)

1. Change fund .... $ 50.00
2. Cash received
   (as shown by cash-register reading) .... $ 247.90
3. Cash paid out .... $ 8.73
4. Net receipts for the day (Item 2 minus Item 3) .... $ 239.17
5. Total (Item 1 plus Item 4) .... $ 289.17
6. Deposited in the bank .... $ 150.00
7. Cash which should be on hand (Item 5 minus Item 6) .... $ 139.17
8. Actual cash on hand .... $ 138.97
9. Cash
   a. Short .... $ .20
   b. Over .... $ --

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #2

BALANCE SHEET

Date: April 30, 198-

ASSETS

Current assets:			
Cash			
Cash in bank	$ 1,364.60		
Petty cash	-0-		
Accounts receivable	6,624.85		
Supplies	910.25		
Merchandise inventories	35,487.15		
Total current assets		$44,386.85	
Fixed assets:			
Land	$ -0-		
Buildings	-0-		
Equipment	12,600.00		
Delivery	-0-		
Furniture and fixtures	-0-		
Less allowance for depreciation	(-0-)		
Leasehold improvements, less amortization	-0-		
Total fixed assets		$12,600	
Total assets			$56,986.85

LIABILITIES AND CAPITAL

Current liabilities:			
Accounts payable	$ 4,486.85		
Notes payable, due within 1 year	2,500.00		
Payroll taxes and withheld taxes	-0-		
Sales taxes	-0-		
Long-term liabilities:			
Notes payable, due after 1 year	-0-		
Total liabilities		$ 6,986.85	
Capital:			
Proprietor's capital, beginning of period	$50,000.00		
Net profit for the period	-0-		
Less proprietor's drawings	-0-		
Increase in capital	-0-		
Capital, end of period		$50,000.00	
Total liabilities and capital			$56,986.85

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #3

INCOME STATEMENT

Ending Date: December 31, 198-

INCOME			
Sales	$98,400.36		
Less: Returns	985.68		
	97,414.68		$97,414.68
COST OF GOODS SOLD			
Inventory	34,332.56		
Purchases	48,631.79		
Add: Transportation In	831.64		
	83,795.99	$83,795.99	
Less: Inventory, Dec. 31		27,197.06	
Cost of Goods Sold		56,598.93	56,598.93
GROSS PROFIT			$40,815.75
EXPENSES			
Salaries	$14,739.57		
Taxes and licenses	1,942.88		
Rent	4,126.80		
Interest	2,765.30		
Advertising	519.91		
Professional services	606.20		
Insurance	1,297.56		
Truck expense	642.12		
Telephone and postage	640.46		
Utilities	948.45		
Bad debts	1,398.65		
Miscellaneous expenses	634.72		
TOTAL EXPENSES	$30,262.62		$30,262.62
OTHER INCOME			
Collections (Bad debt)			254.18
NET PROFIT/LOSS			$10,807.31

Assignment Sheet #4--Part II

A. Increase

B. 25.4% $38,497.65 ÷ $30,694.38 = 1.254

125.4% - 100% = 25.4%

ANSWERS TO ASSIGNMENT SHEETS

C. Increase

D. 37.5% $18,153.31÷$13,202.71 = 1.375

137.5% - 100% = 37.5%

E. Increase

F. 41.6% $12,504.70÷ $8,827.92 = 1.416

141.6% - 100% = 41.6%

G. List should include those expenses listed below and marked with an asterisk (*).

EXPENSE	1983	1982
*Salaries and wages	8.4%	3.3%
Automobile expense	2.6	2.8
*Depreciation	1.2	1.1
Advertising	3.3	3.3
*Interest	0.1	-0-
*Office supplies	0.9	0.7
*Telephone and telegraph	1.7	1.3
*Postage	0.4	0.3
Rent	6.3	7.8
*Taxes	3.0	2.2
Utilities	1.7	2.5
Bad debts	0.2	0.3
*Clearinghouse expense	0.2	-0-
*Commissions paid on incoming orders	0.3	-0-
Miscellaneous	2.7	3.2

H. Reasons might include, but are not limited to the following

1. In order to increase sales, additional personnel were needed, therefore wages and salaries increased
2. Interest was probably charged on money borrowed to expand the business' inventory
3. Taxes increased as sales went up
4. Clearinghouse expense and commissions paid on incoming orders were incurred for the first time in an effort to expand the business
5. Other operational expenses increased only slightly, perhaps as a result of inflation and other economic factors

Assignment Sheet #5

PART I--Evaluated to the satisfaction of the instructor

ANSWERS TO ASSIGNMENT SHEETS

PART I

A. List should include the following

1. Sales
2. Cost of sales
3. Gross profit
4. Salary-owner
5. Salary-office manager
6. Commissions-salespeople
7. Salaries-warehouse
8. Salaries-clerical
9. Payroll taxes
10. Employee benefits
11. Rent
12. Advertising and promotion
13. Freight
14. Depreciation
15. Total operating expenses
16. Profit before interest and taxes
17. Interest
18. Profit before income taxes
19. Income taxes
20. Net profit

B. List should include the following

1. Salaries-salespeople--Salaries for salespeople are planned to remain the same as the current year; however, commissions are increasing. Perhaps management is encouraging commission sales as a motivator to improve sales force productivity
2. Telephone--Telephone expense may be reduced if employees plan and organize business over the telephone

ANSWERS TO ASSIGNMENT SHEETS

3. Supplies--Supplies may remain the same if employees and management watch themselves and conserve supplies on a daily basis

4. Travel and entertainment--Travel and entertainment may be the same as the current year if the business cuts back on any unnecessary travel and entertainment expense and watches for areas in which they may conserve while on business trips

5. Professional fees--Professional fees will more than likely stay constant from year to year over a relatively long period

6. Utilities--Utilities may be reduced by taking conservation measures such as reducing air conditioning, heating, and lighting expenses

C. Explanation should include the following

In order to increase gross profit and net profit as forecasted, the company should expect to increase expenses accordingly

(NOTE: The old saying "If you want to earn a buck, you have to spend a buck" seems appropriate in this case.)

SETTING UP THE BOOKS
UNIT II

TEST

NAME ____ SCORE ____________________

1. Match terms associated with setting up the books of a small business to their correct definitions. Write the correct numbers in the blanks. Terms and definitions are continued on the next page.

_____a. Permanent business properties that are not resold or converted into cash in normal business operations

_____b. Property, cash, or other items of value owned by an individual or firm

_____c. Statement showing a business' financial position in terms of assets, liabilities, and owner's equity on a specific date

_____d. Price a business pays for merchandise

_____e. Liabilities payable within one year

_____f. Liabilities incurred through business operations

_____g. Process of writing off as an expense the cost of an asset over its useful life

_____h. Direction and coordination of business capital to accomplish the goals of the business

_____i. Cash, or such assets as accounts receivable and inventory that are converted into cash in normal business operations; assets which are easily liquidated

_____j. Debts due within a year, including payments on long-term loans and any anticipated payables such as taxes

_____k. Summary of facts which show some aspect of the financial condition of a business

_____l. Funds used to start or to operate a business

_____m. Advancement of cash, merchandise, or other commodity in exchange for a promise to pay a specific sum at a future date

_____n. Continuous movement of money which is received from operations and disbursed to pay business expenses

1. Assets
2. Balance sheet
3. Capital
4. Cash flow
5. Cost of goods sold (COGS)
6. Credit
7. Current assets
8. Current debt
9. Current liabilities
10. Depreciation
11. Expenses
12. Financial management
13. Financial statement
14. Fixed assets

TEST

______o. Money generated from the normal operations of a business; gross profit less operating expenses

______p. Income from the sale of products or services, rent or interest earned, and/or gains on the sale of assets

______q. Operating income less any expenses not previously deducted, such as taxes

______r. Statement showing operating results in terms of revenues and expenses over a period of time

______s. Revenue less cost of goods sold

______t. Financial situation in which total assets are greater than total liabilities

______u. An economic debt

______v. Liabilities with a payment period of more than one year, having balances which are not due within the next twelve months

______w. Expenses that are incurred through the normal operation of a business

______x. Financial situation in which total assets are less than total liabilities

______y. Worksheet representing some aspect of a business' planned financial activities

______z. To convert assets into cash

______aa. Book dollar value of an individual or business when liabilities have been subtracted from assets

15. Fixed liabilities
16. Forecast
17. Gross profit
18. Income statement
19. Liability
20. Liquidate
21. Net income
22. Net loss
23. Net profit
24. Net worth
25. Operating expenses
26. Operating income
27. Revenue

2. State objectives of an accounting system.

a. ____

b. ____

c. ____

d. ____

e. ____

TEST

f. ____________________

____

g. ____________________

____

3. List sources of assistance available to small businesses when establishing an accounting system.

a. ____________________

b. ____________________

c. ____________________

d. ____________________

4. Select from the following list types of financial statements used by small businesses. Write an "X" in the blank before each correct answer.

_____a. OSHA Log 200

_____b. Daily operation forms

_____c. Sales and expense forecast

_____d. SBA Reporter

_____e. Merchandise plan

_____f. Comparison summary reports

_____g. Balance sheet

_____h. Supply and demand schedule

_____i. Income statement

5. Distinguish between items included in the sections of a balance sheet. Write an "A" in the blanks before items included in the *assets* section, and an "L" in the blanks before items included in the *liabilities and capital* section.

_____a. Fixed assets

_____b. Proprietor's drawings

_____c. Sales taxes

_____d. Merchandise inventory

_____e. Furniture and fixtures

_____f. Equipment

TEST

______g. Proprietor's capital, beginning of the period

______h. Long-term liabilities

______i. Capital, end of period

______j. Increase in capital

______k. Accounts payable

______l. Current liabilities

______m. Buildings

______n. Payroll taxes

______o. Notes payable, due within one year

______p. Cash

______q. Current assets

______r. Capital

______s. Accounts receivable

______t. Net profit for the period

______u. Land

6. Distinguish among items included in the sections of an income statement. Write an "I" in the blanks before items included in the *income* section, an "E" before *expenses*, and an "O" in the blanks before items included in the *other income* section.

______a. Supplies

______b. Utilities

______c. Salaries and wages

______d. Rent

______e. Interest paid on loans

______f. Other income

______g. Cost of goods sold

______h. Taxes and licenses

______i. Bad debts

______j. Advertising

TEST

______k. Net sales

______l. Repairs and maintenance

______m. Delivery expense

______n. Miscellaneous expenses

______o. Depreciation

______p. Gross profit

______q. Insurance

7. Describe advantages of profit planning.

8. State ways profit plans are used by small businesses.

a. ______

b. ______

c. ______

d. ______

TEST

9. Arrange in order steps used to prepare a sales and expense forecast report. Write a "1" before the first step, a "2" before the second step, and so on. The major steps are given in order. Arrange only the substeps 1-9.

Forecast sales and gross profit

_____a. Analyze sales performance

_____b. Select sales categories

_____c. Analyze gross profit percentage(s)

_____d. Divide current sales among selected categories

_____e. Evaluate pricing strategy and make necessary changes

Forecast expenses

_____f. Compare fixed expenses to performance in past years, industry averages, and current year objectives

_____g. Compare variable expenses to performance in past years, industry averages, and current year objectives

_____h. Plan corrective action to bring excessive expenses in line

_____i. Identify excessive expenses based on comparisons made

Write the sales and expense forecast report

10. Arrange in order steps used in completing a cash flow worksheet. Write a "1" before the first step, a "2" before the second step, and so on.

_____a. Compute cash balance or shortage

_____b. Estimate cash receipts for the period

_____c. Estimate cash disbursements for the period

_____d. Project amount of loans necessary

_____e. Add cash on hand at beginning of period

_____f. Calculate net cash gain or loss

TEST

11. Describe ways to increase operational efficiency.

   a. Maximize cash flow--

   b. Pinpoint trouble spots--

TEST

c. Trim overhead costs--

(NOTE: Test questions 12-16 list the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

12. Complete a daily proof of cash report.

13. Prepare a balance sheet.

14. Prepare an income statement.

15. Analyze a comparative operating statement.

16. Analyze a sales and expense forecast report.

SETTING UP THE BOOKS
UNIT II

ANSWERS TO TEST

1.

a.	14	h.	12	o.	26	v.	15
b.	1	i.	7	p.	27	w.	25
c.	2	j.	8	q.	21	x.	22
d.	5	k.	13	r.	18	y.	16
e.	9	l.	3	s.	17	z.	20
f.	11	m.	6	t.	23	aa.	24
g.	10	n.	4	u.	19		

2. a. To provide information on the firm's financial position

   b. To provide information on the firm's profitability

   c. To [illegible]itate profit planning and budgeting

   d. To provide a control device for facilitating analysis and comparison of current financial data with past records

   e. To reduce the chances of theft, fraud, or bad debt

   f. To provide information required for filing tax reports

   g. To provide information to creditors when establishing commercial credit

3. a. Accountant

   b. Trade associations

   c. Commercial agencies

   d. Small Business Administration

4. b, c, f, g, i

5.

a.	A	g.	L	m.	A	s.	A
b.	L	h.	L	n.	L	t.	L
c.	L	i.	L	o.	L	u.	A
d.	A	j.	L	p.	A		
e.	A	k.	L	q.	A		
f.	A	l.	L	r.	L		

ANSWERS TO TEST

6. a. E
   b. E
   c. E
   d. E
   e. E
   f. O
   g. I
   h. E
   i. E
   j. E
   k. I
   l. E
   m. E
   n. E
   o. E
   p. I
   q. E

7. Description should include the following

   a. Provides a continuing standard against which sales performance and cost control may be quickly evaluated

   b. Makes personnel aware of their responsibilities for meeting sales objectives, controlling costs, and maintaining appropriate levels of performance

   c. Reduces unnecessary costs and overspending by allowing management to identify areas quickly where cost excesses and planned expenditures may be compared

   d. Permits early detection of potential problems so that their causes and extent are known and action is taken to correct them

   e. Allows management to take advantage of future opportunities and to avoid many crises which might not otherwise have been considered

   f. Serves as a basis for financial planning

   g. Inspires the confidence of prospective creditors and/or investors

8. a. To evaluate operations and detect areas of unsatisfactory performance so that corrective action may be taken

   b. To determine the need for additional resources

   c. To plan purchasing requirements

   d. To anticipate any additional financial needs

9. a. 4
   b. 1
   c. 3
   d. 2
   e. 5
   f. 7
   g. 6
   h. 9
   i. 8

ANSWERS TO TEST

10. a. 5 d. 6

    b. 1 e. 4

    c. 2 f. 3

11. Description should include the following

    a. Maximize cash flow

        1) Follow a firm credit-granting/accounts receivable policy

            a) Prepare periodic accounts receivable aging statements

            b) Use both tact and persistence to collect accounts

            c) Add a charge to overdue accounts

            d) Offer cash discounts for early payment

        2) Follow a firm accounts payable policy

            a) Take advantage of cash discounts offered by suppliers

            b) Regulate payments on accounts receivable to make maximum use of money

            c) Prepare an age statement for accounts payable

        3) Follow a sound inventory control policy

            a) Periodically review stock movement figures

            b) Clear out unprofitable items

            c) Determine adequate inventory levels and establish reorder points on merchandise

        4) Follow a sound fixed asset investment policy

            a) Sell and/or lease back major equipment items and real estate

            b) Consolidate and rearrange existing facilities

            c) Lease facilities, equipment, and fixtures instead of buying

        5) Follow a sound sales promotions policy

            a) Periodically review pricing policy

            b) Run special promotions of certain products

            c) Price merchandise for multiple purchases

ANSWERS TO TEST

b. Pinpoint trouble spots
    1) Look for deterioration of working capital
        a) Owner constantly looking for money instead of running the business
        b) Delinquent accounts payable; discounts not being taken on bills paid
        c) Low bank balance; returned checks
        d) Lower than average current ratio
        e) Lower than industry average acid test ratio
    2) Look for declining sales and profits
        a) No apparent growth in sales; actual sales below forecast
        b) Low sales-to-inventory ratio
        c) Frequent customer complaints; increases in returned merchandise
        d) Higher than average operating expense ratios
        e) Lower than average profit-to-sales ratio

c. Trim overhead costs
    1) Analyze overhead costs every month; maintain adequate records
    2) Maintain strict inventory-control policies
    3) Assign personnel to be responsible for all purchasing functions
    4) Make one person responsible for all receiving operations
    5) Maintain high quality control standards
    6) Seek out maximum efficiency in insurance coverage
    7) Assess charges, as necessary, for providing special customer services
    8) Tighten security measures
    9) Maintain sound personnel management policies
        a) Review payroll in terms of employee productivity
        b) Provide adequate work area, equipment, and supplies

ANSWERS TO TEST

   c) Provide adequate supervision and training

   d) Specify and organize procedures for tasks to be performed

   e) Maintain sound discipline and grievance procedures

   f) Organize work according to tasks to be performed

   g) Maintain strict documentation and controls for making employee loans and pay advances

12. Evaluated to the satisfaction of the instructor

13. Evaluated to the satisfaction of the instructor

14. Evaluated to the satisfaction of the instructor

15. Evaluated to the satisfaction of the instructor

16. Evaluated to the satisfaction of the instructor

INSURANCE FOR A SMALL BUSINESS
UNIT III

UNIT OBJECTIVE

After completing this unit, the student should be able to make recommendations to improve the insurance plan for a small business. This knowledge will be shown by completing the assignment sheet and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with insurance for small businesses to their correct definitions.
2. Arrange in order steps used to plan effective risk management.
3. Match ways of handling business risks to their correct examples.
4. Describe major types of insurance coverage needed by small businesses.
5. Name other types of insurance coverage available to small businesses.
6. Discuss factors to consider when buying insurance.
7. Describe characteristics of a good insurance management plan.
8. Make recommendations to improve a firm's insurance program.

INSURANCE FOR A SMALL BUSINESS
UNIT III

SUGGESTED ACTIVITIES

I. Suggested activities

A. Order materials planned to supplement unit--*Is a Career in Finance, Insurance, or Real Estate For You?* Color, 15.5 minutes, CFI. Available from CFI, 1728 Cherry Street, Philadelphia, Pennsylvania 19103.

(NOTE: This film takes an objective look at workers in finance, insurance, and real estate; their work; and their work conditions. It is available on a free-loan basis to Oklahoma teachers *only* from the Oklahoma State Department of Vocational and Technical Education/Curriculum and Instructional Materials Center, 1515 West Sixth Avenue, Stillwater, Oklahoma 74074. Out-of-state teachers must order from CFI.)

B. Provide students with objective sheet.

C. Provide students with information and assignment sheets.

D. Discuss unit and specific objectives.

E. Discuss information and assignment sheets.

F. Assist students as necessary with Assignment Sheet #1. They will interview a small business owner and make recommendations to improve his or her insurance program.

(NOTE: Students may be allowed to use their training station even through it may not qualify as a small business.)

G. Invite a guest speaker from the insurance industry to speak with your class about insuring a small business and about careers in the world of insurance.

H. Give test.

I. Reteach and retest if necessary.

II. Instructional materials

A. Objective sheet

B. Suggested activities

C. Information sheet

SUGGESTED ACTIVITIES

D. Assignment Sheet #1--Make Recommendations to Improve a Firm's Insurance Program

E. Answers to assignment sheet

F. Test

G. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Hailes, William D., Jr., and Raymond T. Hubbard. *Small Business Management.* Albany, New York: Delmar Publishers, 1977.

C. U.S. Small Business Administration. *Business Basics: Risk Management and Insurance.* Washington, D.C.: U.S. Government Printing Office, 1980.

D. U.S. Small Business Administration. *Business Life Insurance,* (Management Aids #222). Washington, D.C.: U.S. Government Printing Office, 1977.

E. U.S. Small Business Administration. *Insurance Checklist for Small Business.* Washington, D.C.: U.S. Government Printing Office, n.d.

INSURANCE FOR A SMALL BUSINESS
UNIT III

INFORMATION SHEET

I. Terms and definitions

A. Beneficiary--Person named in an insurance policy who will receive proceeds upon death of the insured individual

B. Canceled policy--Policy no longer in force; benefits no longer provided by insurance company

C. Cash value--Amount available in cash upon voluntary termination of an insurance policy before death of insured if applicable

D. Coinsurance--Insurance policy in which the insurer and the insured share the risk

(NOTE: This is usually used in fire protection policies at the rate of 80 percent of coverage to encourage business owners to be adequately insured.)

EXAMPLE: If a business was valued at $100,000, the insured would be required to carry at least $80,000 of fire insurance ($100,000 times 80 percent). If a loss should occur, the insured may recover any amount up to $80,000 from the insurance company. If less than 80 percent is carried, a lesser amount would be paid.

$$\frac{\text{Amount carried (face value)}}{\text{Amount required}} \times \text{Dollar Loss} = \text{Maximum amount paid by insurance company}$$

E. Coverage--Types of losses for which a policy will pay

(NOTE: Most liability policies will pay for the amount the company becomes legally obligated to pay due to accidentally caused bodily injury or personal property damage. They will also generally pay for the expenses of setting any liability suit, whether the suit is justified or not.)

F. Deductible--Specified dollar amount or percentage of loss above which the insurance company will pay

(NOTE: The purpose of deductibles is to reduce premiums by permitting the insured to eliminate coverage for small losses, usually up to $100 or $200, and to carry the responsibility of settlement alone.)

G. Double indemnity--Accidental death benefit to pay double the face amount in case of insured's death by accident

INFORMATION SHEET

H. Exclusion--Type of loss for which a policy will not pay

I. Face amount--Amount stated on the face of the policy that will be paid in case of death or at maturity

J. Group insurance--Insurance which is offered at reduced rates on a group of people under a single master contract

K. Indemnity--Principle which states that the insured may collect only the actual loss, and not necessarily an amount given in the policy as the policy limit

L. Insurance--Contract binding a company to pay an insured party for specified losses; spreads the risk of one person or company's misfortune among a large group of policyholders

M. Insurance agent--Individual who represents one insurance company and usually sells only that company's insurance policies

N. Insurance broker--Individual who owns an independent insurance company and who sells insurance for many different insurance companies

O. Insured--Individual protected by insurance against loss or damage

P. Lapsed policy--Policy expired due to nonpayment of premium

Q. Liability--Responsibility for injury or damage caused to another's person or property

R. Limitation--Maximum amount of payment which a policy will provide for a specific loss

S. Peril--Condition of imminent danger

T. Policy--Document stating terms of insurance contract that is issued to the insured policyholder by the insurance company

U. Policy loan--Cash loaned on the cash value of an insurance policy at a specified rate of interest

V. Premium--Payment made by the insured policyholder in agreement with the contract for insurance

II. Steps used to plan effective risk management

A. Identify risks

(NOTE: Look over the company's resources and services to identify possible threats of loss, damage, or expense to the business.)

B. Evaluate the chance of each risk occurring

(NOTE: Include the cost incurred by each risk, and the cost of insurance to cover liability of each.)

INFORMATION SHEET

C. Select the best way to handle each risk

D. Control each risk

(NOTE: This can be accomplished by implementing the best methods in an organized plan.)

III. Ways of handling business risks

A. Avoid risk--Use independent contractors to perform hazardous tasks instead of assigning those tasks to employees

B. Spread risk--Duplicate valuable records or documents so that if one set is lost, a copy will still be available

C. Prevent risk--Install safety equipment, sprinkler systems, safety and quality control procedures to minimize potential losses

D. Transfer risk--Pay for insurance policies which will assume property, liability, and other business losses

IV. Major types of insurance coverage needed by small businesses

A. Liability insurance

(NOTE: Liability presents a major danger for small businesses, since liability judgments can be very large.)

1. Comprehensive liability policies

(NOTE: Most of the liabilities toward people outside the company may be covered under a general comprehensive liability policy. These policies do not usually cover liability as a result of an automobile accident by an employee while on the job, product liability, or employer liability insurance covered under workers' compensation laws.)

a. Covers injuries to others while on company property

b. Covers damage to other people's property that may occur while on company property

2. Workers' compensation

(NOTE: Workers' compensation is required by law in all states. Many companies choose to go beyond required coverage by offering policies such as general health and life insurance, and pension and retirement plans.)

a. Covers work-related injuries

EXAMPLES: Hospital, doctor bills

b. Covers payment for loss of salary resulting from work-related injuries

INFORMATION SHEET

B. Property insurance

(NOTE: The most common type of property insurance is the all-risk commercial property insurance policy. All-risk policies cover all perils except those specifically excluded by name within the policy. Examples might be fire insurance; crime insurance for theft, burglary, and robbery; vandalism; hail and windstorm insurance; and inland marine insurance.)

1. Covers risks to property owned and used by the firm, such as buildings, materials, machinery, and merchandise
2. Covers damages to products sold by the company, particularly while in transit
3. Covers losses caused by other situations

EXAMPLES: Robbery; vandalism; business costs during the transition period after a disaster; losses such as destruction of large items sold on credit, which the firm owns until it is fully paid for; floods and other weather-related losses

C. Automobile insurance

1. Covers accidents involving company-owned vehicles
2. Covers accidents involving employees' privately owned vehicles which are being used to conduct business on behalf of the company
3. Covers accidents occurring when an employee is driving a customer's car

V. Other types of insurance coverage available to small businesses

A. Business-interruption insurance--Pays for business expenses incurred when the business is shut down as a result of a major disaster such as a serious fire or flood; covers salaries of key employees, taxes, interest, and other operational expenses

B. Credit life insurance--Covers the outstanding debt of a customer who purchases goods on credit and deceases (dies) before full payment is made

C. Fidelity bonds--Insures against theft by employees

D. Glass insurance--Insures large, expensive glass surfaces, such as plate glass windows and glass signs and showcases

INFORMATION SHEET

E. Key-man insurance--Reimburses the firm for losses resulting from the death or total disability of an important employee upon whom the business relies heavily

(NOTE: Similar insurance is available for business owners and partners. Under some plans partners take out insurance on each other's life so that if one partner dies, any surviving partners can reorganize and pay the taxes, or find a new partner if necessary. This allows the business to continue and the beneficiaries of the deceased partner to gain full, fair interest in the firm.)

F. Profits and commission insurance--Reimburses the firm for profits or commission lost as a result of damaged merchandise incurred in peril

G. Rent insurance--Reimburses the business for rent on leased property if the tenant fails to pay

H. Sprinkler leakage insurance--Covers losses resulting from leakage from fire protection sprinkler systems

VI. Factors to consider when buying insurance

(NOTE: Insurance policies may be purchased from insurance agents or insurance brokers; coverage is provided for a price, called a *premium*.)

A. Businesses should receive the most effective liability coverage for the least cost possible

(NOTE: The best insurance value is not necessarily the policy with the highest or lowest premium.)

B. Businesses should be concerned with covering their property at replacement value, not necessarily at cost value

(NOTE: For this reason, policies should be reviewed and adjusted periodically to cover inflation and depreciation.)

C. Business owners are not expected to be experts in insurance matters

(NOTE: *Get professional advice about insurance.* Insurance agents and brokers are licensed by the state and are usually able to offer sound advice to business people. On the other hand, it is important that those being insured fully understand their policies.)

VII. Characteristics of a good insurance management plan (Assignment Sheet #1)

(NOTE: The purpose of this plan is to make sure that insurance coverage is provided at the lowest possible cost to the business and in such a manner that it helps to meet the firm's objectives.)

A. Written, clear statement is made of what the firm expects insurance to do for them

B. Only one agent handles insurance matters for the business

INFORMATION SHEET

C. If an employee or single partner is going to be responsible for the firm's insurance program, he or she should understand that responsibility

D. Everything possible is done to prevent losses and to keep those that do occur as low as possible

E. No information is withheld from the insurance agent that might be important in making insurance decisions

F. Policies are chosen with economics in mind, but do not underinsure the firm

(NOTE: Business owners should not try to save money by underinsuring or by not covering some perils that could cause loss, even though the probability of occurrence is relatively small. If the probability of loss is small, the premium will also be small.)

G. Complete records of business insurance policies, premiums paid, losses and loss recoveries are kept and used to help get better coverage at lower costs in the future

(NOTE: Copies of insurance policies should be kept in a safe deposit box or other safe place.)

H. Property is appraised periodically by independent appraisers so that the business owner is kept informed to be able to upgrade insurance policies in the future and to be better able to prove what losses are incurred, as necessary

INSURANCE FOR A SMALL BUSINESS
UNIT III

ASSIGNMENT SHEET #1--MAKE RECOMMENDATIONS TO IMPROVE A FIRM'S INSURANCE PROGRAM

NAME ______________________ SCORE __________

It has been said that insurance is a system in which "winners pay losers." Those who are able to avoid losses contribute through paying premiums to those who lose. If a company never collects from its insurance policy, it is a winner in the truest sense of the word. On the other hand, if a loss is suffered, the business has the security of knowing that the other members of the insurance system will relieve most of the burden. It's a "win-win" situation. Premiums are the price businesses pay for freedom from worry about economic loss due to uncontrollable conditions. For many business people, however, insurance itself becomes the subject of worry. How much is needed? What types are needed? How long should the policy last? Should inventory be covered at cost value or replacement value? What will it cost? Questions like these should be answered before entering any insurance program. The first step in developing sound insurance practice is to conduct an evaluation of the firm and then seek out a reputable insurance agent who will work closely with the business.

In this assignment you are given an insurance checklist and several follow-up questions. Using the checklist provided, interview a small business owner and make recommendations to improve the firm's insurance program.

(NOTE: The interview will take approximately 45 minutes. Be sure to schedule time in advance with the business owner for the interview. Ask your instructor for assistance if necessary.)

PART I--Complete insurance checklist

(NOTE: Checklist appears on the following pages.)

NAME OF FIRM: ______________________

ADDRESS OF FIRM: ______________________

PERSON INTERVIEWED: ______________________

DATE and TIME OF INTERVIEW: ______________________

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
A. ESSENTIAL COVERAGES 1. LIABILITY INSURANCE a. Legal liability limits of one million dollars are no longer considered high or unreasonable even for a small business.		
b. Most liability policies require you to notify the insurer immediately after an incident on your property that might cause a future claim. This holds true no matter how unimportant the incident may seem at the time it happens.		
c. Most liability policies, in addition to bodily injuries, may now cover personal injuries (libel, slander, and so on) if these are specifically insured.		
d. Under certain conditions, your business may be subject to damage claims even from trespassers.		
e. You may be legally liable for damages even in cases where you used "reasonable care."		
f. Even if the suit against you is false or fraudulent, the liability insurer pays court costs, legal fees, and interest on judgments in addition to the liability judgments themselves.		
g. You can be liable for the acts of others under contracts you have signed with them. This liability is insurable.		
h. In some cases you may be held liable for fire loss to property of others in your care. Yet, this property would normally not be covered by your fire or general liability insurance. This risk can be covered by fire legal liability insurance or by requesting subrogation waivers from insurers of owners of the property.		
2. FIRE INSURANCE a. You can add other perils--such as windstorm, hail, smoke, explosion, vandalism, and malicious mischief--to your basic fire insurance at a relatively small additional cost.		
b. If you need comprehensive coverage, your best buy may be one of the all-risk contracts that offer the broadest available protection for the money.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
c. The insurance company may indemnify you--that is, compensate you for your losses--in any one of several ways: (1) It may pay actual cash value of the property at the time of loss. (2) It may repair or replace the property with material of like kind and quality. (3) It may take all the property at the agreed or appraised value and reimburse you for your loss.		
d. You can insure property you don't own. You must have an insurable interest--a financial interest--in the property when a loss occurs but not necessarily at the time the insurance contract is made. For instance, a repair shop of a dry-cleaning plant may carry insurance on customers' property in the shop, or a person holding a mortgage on a building may insure the building although he doesn't own it.		
e. When you sell property, you cannot assign the insurance policy along with the property unless you have permission from the insurance company.		
f. Even if you have several policies on your property, you can still collect only the amount of your actual cash loss. All the insurers share the payment proportionately. Suppose, for example, that you are carrying two policies--one for \$20,000 and one for \$30,000--on a \$40,000 building, and fire causes damage to the building amounting to \$12,000. The \$20,000 policy will pay \$4,800; that is, $\frac{20,000}{50,000}$ or $\frac{2}{5}$ of \$12,000. The \$30,000 policy will pay \$7,200; which is $\frac{30,000}{50,000}$ or $\frac{3}{5}$ of \$12,000.		
g. Special protection other than the standard fire policy is needed to cover the loss by fire of accounts, bills, currency, deeds, evidences of debt, money, and securities.		
h. If an insured building is vacant or unoccupied for more than 60 consecutive days, coverage is suspended unless you have a special endorsement to your policy canceling this provision.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
i. If, either before or after a loss, you conceal or misrepresent to the insurer any material fact or circumstance concerning your insurance or the interest of the insured, the policy may be voided.		
j. If you increase the hazard of fire, the insurance company may suspend your coverage even for losses not originating from the increased hazard. (An example of such a hazard might be renting part of your building to a dry-cleaning plant.)		
k. After a loss you must use all reasonable means to protect the property from further loss or run the risk of having your coverage canceled.		
l. To recover your loss, you must furnish within 60 days (unless an extension is granted by the insurance company) a complete inventory of the damaged, destroyed, and undamaged property showing in detail quantities, costs, actual cash value, and amount of loss claimed.		
m. If you and the insurer disagree on the amount of loss, the question may be resolved through special appraisal procedures provided for in the fire insurance policy.		
n. You may cancel your policy without notice at any time and get part of the premium returned. The insurance company also may cancel at any time with a written notice to you five days in advance of cancellation.		
o. By accepting a coinsurance clause in your policy, you get a substantial reduction in premiums. A coinsurance clause states that you must carry insurance equal to 80 or 90 percent of the value of the insured property. If you carry less than this, you cannot collect the full amount of your loss, even if the loss is small. The percent of your loss you can collect will depend on what percent of the full value of the property you have insured it for.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
p. If your loss is caused by someone else's negligence, the insurer has the right to sue this negligent third party for the amount it has paid you under the policy. This is known as the insurer's right of subrogation. However, the insurer will usually waive this right upon request. For example, if you have leased your insured building to someone and have waived your right to recover from the tenant for any insured damages to your property, you should have your agent request the insurer to waive the subrogation clause in the fire policy on your leased building.		
q. A building under construction can be insured for fire, lightning, extended coverage, vandalism, and malicious mischief.		
3. AUTOMOBILE INSURANCE a. When an employee or a subcontractor uses his own car on your behalf, you can be legally liable even if you don't own a car or truck yourself.		
b. Five or more automobiles or motorcycles under one ownership and operated as a fleet for business purposes can generally be insured under a low-cost fleet policy against both material damage to your vehicle and liability to others for property damage or personal injury.		
c. You can often get deductibles of almost any amount--say $250 or $500--and thereby reduce your premiums.		
d. Automobile medical-payments insurance pays for medical claims, including your own, arising from automobile accidents regardless of the question of negligence.		
e. In most states you must carry liability insurance or be prepared to provide other proof (surety bond) of financial responsibility when you are involved in an accident.		
f. You can purchase uninsured-motorist protection to cover your own bodily-injury claims from someone who has no insurance.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
g. Personal property stored in an automobile and not attached to it (for example, merchandise being delivered) is not covered under an automobile policy.		
4. WORKER'S COMPENSATION a. Common law requires that an employer (1) provide employees with a safe place to work, (2) hire competent fellow employees, (3) provide safe tools, and (4) warn employees of an existing danger.		
b. If an employer fails to provide the above, under both common law and worker's compensation laws, the employer is liable for damage suits brought by an employee.		
c. State law determines the level or type of benefits payable under workers' compensation policies.		
d. Not all employees are covered by workers' compensation laws. The exceptions are determined by State law and therefore vary from state to state.		
e. In nearly all states you are now legally required to cover your workers under workers' compensation.		
f. You can save money on workers' compensation insurance by seeing that your employees are properly classified.		
g. Rates for workers' compensation insurance vary from 0.1 percent of the payroll for "safe" occupations to about 25 percent or more of the payroll for very hazardous occupations.		
h. Most employers in most states can reduce their workers' compensation premium cost by reducing their accident rates below the average. They do this by using safety and loss-prevention measures.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
B. DESIRABLE COVERAGES 1. BUSINESS-INTERRUPTION INSURANCE a. You can purchase insurance to cover fixed expenses that would continue if a fire shut down your business--such as salaries to key employees, taxes, interest, depreciation, and utilities--as well as the profits you would lose.		
b. Under properly written contingent business-interruption insurance, you can also collect if fire or other peril closes down the business of a supplier or customer and this interrupts your business.		
c. The business-interruption policy provides payments for amounts you spend to hasten the reopening of your business after a fire or other insured peril.		
d. You can get coverage for the extra expenses you suffer if an insured peril, while not actually closing your business down, seriously disrupts it.		
e. When the policy is properly endorsed, you can get business-interruption insurance to indemnify you if your operations are suspended because of failure or interruption of the supply of power, light, heat, gas, or water furnished by a public utility company.		
2. CRIME INSURANCE a. Burglary insurance excludes such property as accounts, fur articles in a showcase window, and manuscripts.		
b. Coverage is granted under burglary insurance only if there are visible marks of the burglar's forced entry.		
c. Burglary insurance can be written to cover, in addition to money in a safe, inventoried merchandise and damage incurred in the course of a burglary.		
d. Robbery insurance protects you from loss of property, money, and securities by force, trickery, or threat of violence on or off your premises.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
e. A comprehensive crime policy written just for small business owners is available. In addition to burglary and robbery, it covers other types of loss by theft, destruction, and disappearance of money and securities. It also covers thefts by your employees.		
f. If you are in high-risk area and cannot get insurance through normal channels without paying excessive rates, you may be able to get help through the federal crime insurance plan. Your agent or state insurance commissioner can tell you where to get information about these plans.		
3. GLASS INSURANCE a. You can purchase a special glass-insurance policy that covers all risk to plate-glass windows, glass signs, motion-picture screens, glass brick, glass doors, showcases, countertops, and insulated glass panels.		
b. The glass-insurance policy covers not only the glass itself, but also its lettering and ornamentation if these are specifically insured, and the costs of temporary plates or boarding up when necessary.		
c. After the glass has been replaced, full coverage is continued without any additional premium for the period covered.		
4. RENT INSURANCE a. You can buy rent insurance that will pay your rent if the property you lease becomes unusable because of fire or other insured perils and your lease calls for continued payments in such a situation.		
b. If you own property and lease it to others, you can insure against loss if the lease is canceled because of fire and you have to rent the property again at a reduced rental.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
C. EMPLOYEE BENEFIT COVERAGES 1. GROUP LIFE INSURANCE a. If you pay group insurance premiums and cover all employees up to $50,000, the cost to you is deductible for federal income tax purposes; and yet the value of the benefit is not taxable income to your employees.		
b. Most insurers will provide group coverage at low rates even if there are ten or fewer employees in your group.		
c. If the employees pay part of the cost of the group insurance, state laws require that 75 percent of them must elect coverage for the plan to qualify as group insurance.		
d. Group plans permit an employee leaving the company to convert his group-insurance coverage to a private plan at the rate for his or her age, without a medical exam if the employee does so within 30 days after leaving the job.		
2. GROUP HEALTH INSURANCE a. Group health insurance costs much less and provides more generous benefits for the worker than individual contracts would.		
b. If you pay the entire cost, individual employees cannot be dropped from a group plan unless the entire group policy is canceled.		
c. Generous programs of employee benefits, such as group health insurance, tend to reduce labor turnover.		
3. DISABILITY INSURANCE a. Workers' compensation insurance pays an employee only for time lost because of work injuries and work-related sickness--not for time lost because of disabilities incurred off the job. But you can purchase, at a low premium, insurance to replace the lost income of workers who suffer short-term or long-term disability not related to their work.		
b. You can get coverage that provides employees with an income for life in case of permanent disability resulting from work-related sickness or accident.		

ASSIGNMENT SHEET #1

TYPE OF INSURANCE	No Action Needed	Look Into This
4. RETIREMENT INCOME a. If you are self-employed, you can get an income tax deduction for funds used for retirement for you and your employees through plans of insurance or annuities approved for use under the Employees Retirement Income Security Act of 1974 (ERISA).		
b. Annuity contracts may provide for variable payments in the hope of giving the annuitants some protection against the effects of inflation. Whether fixed or variable, an annuity can provide retirement income that is guaranteed for life.		
5. KEY-MAN INSURANCE a. One of the most serious setbacks that can come to a small company is the loss of a key employee. But your key employee can be insured with life insurance and disability insurance owned by and payable to your company.		
b. Proceeds of a key-man policy are not subject to income tax, but premiums are not a deductible business expense.		
c. The cash value of key-man insurance, which accumulates as an asset of the business, can be borrowed against; and the interest and dividends are not subject to income tax as long as the policy remains in force.		

ASSIGNMENT SHEET #1

PART II--Analyze the firm's insurance program

STRENGTHS	WEAKNESSES

ASSIGNMENT SHEET #1

PART III--Make recommendations to improve the firm's insurance program

A. Should the firm look into additional insurance policy(s)? Explain your answer.

B. What recommendations do you have to improve the firm's policies to upgrade insurance? Explain your answer.

C. How could the firm's overall insurance program plan be improved? Explain your answer.

INSURANCE FOR A SMALL BUSINESS
UNIT III

ANSWERS TO ASSIGNMENT SHEET

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

INSURANCE FOR A SMALL BUSINESS
UNIT III

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with insurance for small businesses to their correct definitions. Write the correct numbers in the blanks. Terms and definitions are continued on the next page.

_____a. Specified dollar amount or percentage of loss above which the insurance company will pay

_____b. Insurance policy in which the insurer and the insured share the risk

_____c. Person named in an insurance policy who will receive proceeds upon death of the insured individual

_____d. Amount stated on the face of the policy that will be paid in case of death or at maturity

_____e. Principle which states that the insured may collect only the actual loss, and not necessarily an amount given in the policy as the policy limit

_____f. Insurance which is offered at reduced rates on a group of people under a single master contract

_____g. Type of loss for which a policy will not pay

_____h. Amount available in cash upon voluntary termination of an insurance policy before death of insured if applicable

_____i. Types of losses for which a policy will pay

_____j. Policy no longer in force; benefits no longer provided by insurance company

_____k. Accidental death benefit to pay double the face amount in case of insured's death by accident

1. Beneficiary
2. Canceled policy
3. Cash value
4. Coinsurance
5. Coverage
6. Deductible
7. Double indemnity
8. Exclusion
9. Face amount
10. Group insurance
11. Indemnity

TEST

_____l. Contract binding a company to pay an insured party for specific losses; spreads the risk of one person or company's misfortune among a large group of policyholders

_____m. Condition of imminent danger

_____n. Individual protected by insurance against loss or damage

_____o. Maximum amount of payment which a policy will provide for a specific loss

_____p. Responsibility for injury or damage caused to another's person or property

_____q. Individual who owns an independent insurance company and who sells insurance for many different insurance companies

_____r. Cash loaned on the cash value of an insurance policy at a specified rate of interest

_____s. Payment made by the insured policyholder in agreement with the contract for insurance

_____t. Individual who represents one insurance company and usually sells only that company's insurance policies

_____u. Document stating terms of insurance contract that is issued to the insured policyholder by the insurance company

_____v. Policy expired due to nonpayment of premium

12. Insurance
13. Insurance agent
14. Insurance broker
15. Insured
16. Lapsed policy
17. Liability
18. Limitation
19. Peril
20. Policy
21. Policy loan
22. Premium

2. Arrange in order steps used to plan effective risk management. Write a "1" before the first step, a "2" before the second step, and so on.

_____a. Select the best way to handle each risk

_____b. Evaluate the chance of each risk occurring

_____c. Control each risk

_____d. Identify risks

TEST

3. Match ways of handling business risks to their correct examples. Write the correct numbers in the blanks.

_____a. Use independent contractors to perform hazardous tasks instead of assigning those tasks to employees

_____b. Install safety equipment, sprinkler systems, safety and quality control procedures to minimize potential losses

_____c. Pay for insurance policies which will assume property, liability, and other business losses

_____d. Duplicate valuable records or documents so that if one set is lost, a copy will still be available

1. Avoid risk
2. Prevent risk
3. Spread risk
4. Transfer risk

4. Describe major types of insurance coverage needed by small businesses.

a. Liability insurance--____

____

____

____

____

b. Property insurance--____

____

____

____

____

c. Automobile insurance--______________________________________

____

____

____

____

TEST

5. Name other types of insurance coverage available to small businesses. Write the correct names in the blanks.

   a. ____________________ insures against theft by employees

   b. ____________________ pays for business expenses incurred when the business is shut down as a result of a major disaster such as a serious fire or flood; covers salaries of key employees, taxes, interest, and other operational expenses

   c. ____________________ reimburses the business for rent on leased property if the tenant fails to pay

   d. ____________________ reimburses the firm for losses resulting from the death or total disability of an important employee upon whom the business relies heavily

   e. ____________________ covers losses resulting from leakage from fire protection sprinkler systems

   f. ____________________ reimburses the firm for profits or commission lost as a result of damaged merchandise incurred in peril

   g. ____________________ covers the outstanding debt of a customer who purchases goods on credit and deceases (dies) before full payment is made

   h. ____________________ insures large, expensive glass surfaces, such as plate glass windows and glass signs and showcases

6. Discuss factors to consider when buying insurance.

TEST

7. Describe characteristics of a good insurance management plan.

TEST

(NOTE: Test question 8 lists the assignment sheet. It is an important part of this test. If it has not been completed, check with your instructor.)

8. Make recommendations to improve a firm's insurance program.

INSURANCE FOR A SMALL BUSINESS
UNIT III

ANSWERS TO TEST

1. a. 6
   b. 4
   c. 1
   d. 9
   e. 11
   f. 10
   g. 8
   h. 3
   i. 5
   j. 2
   k. 7
   l. 12
   m. 19
   n. 15
   o. 18
   p. 17
   q. 14
   r. 21
   s. 22
   t. 13
   u. 20
   v. 16

2. a. 3
   b. 2
   c. 4
   d. 1

3. a. 1
   b. 2
   c. 4
   d. 3

4. Description should include
   a. Liability insurance
      1) Comprehensive liability policies
         a) Covers injuries to others while on company property
         b) Covers damage to other people's property that may occur while on company property
      2) Workers' compensation
         a) Covers work-related injuries
         b) Covers payment for loss of salary resulting from work-related injuries

ANSWERS TO TEST

   b. Property insurance

      1) Covers risks to property owned and used by the firm such as buildings, materials, machinery, and merchandise

      2) Covers damages to products sold by the company, particularly while in transit

      3) Covers losses caused by other situations

   c. Automobile insurance

      1) Covers accidents involving company-owned vehicles

      2) Covers accidents involving employees' privately owned vehicles which are being used to conduct business on behalf of the company

      3) Covers accidents occurring when an employee is driving a customer's car

5. a. Fidelity bonds

   b. Business-interruption insurance

   c. Rent insurance

   d. Key-man insurance

   e. Sprinkler leakage insurance

   f. Profits and commission insurance

   g. Credit life insurance

   h. Glass insurance

6. Discussion should include

   a. Businesses should receive the most effective liability coverage for the least cost possible

   b. Businesses should be concerned with covering their property at replacement value, not necessarily at cost value

   c. Business owners are not expected to be experts in insurance matters

7. Description should include

   a. Written, clear statement is made of what the firm expects insurance to do for them

   b. Only one agent handles insurance matters for the business

ANSWERS TO TEST

c. If an employee or single partner is going to be responsible for the firm's insurance program, he or she should understand that responsibility

d. Everything possible is done to prevent losses and to keep those that do occur as low as possible

e. No information is withheld from the insurance agent that might be important in making insurance decisions

f. Policies are chosen with economics in mind, but do not underinsure the firm

g. Complete records of business insurance policies, premiums paid, losses and loss recoveries are kept and used to help get better coverage at lower costs in the future

h. Property is appraised periodically by independent appraisers so that the business owner is kept informed to be able to upgrade insurance policies in the future and to be better able to prove what losses are incurred, as necessary

8. Evaluated to the satisfaction of the instructor

PROMOTING A SMALL BUSINESS
UNIT IV

UNIT OBJECTIVE

After completing this unit, the student should be able to make recommendations to improve the promotion plan used by a small business. This knowledge will be shown by completing the assignment sheets and unit test with a minimum score of 85 percent.

SPECIFIC OBJECTIVES

After completing this unit, the student should be able to

1. Match terms associated with promoting a small business to their correct definitions.
2. Select from a list activities used in promoting a small business.
3. Match basic steps of the selling process to their correct descriptions.
4. Describe reasons businesses spend money on advertising and promotion.
5. Arrange in order steps used in planning advertising and sales promotions.
6. List types of advertising media available to small businesses.
7. List factors to be considered when determining advertising budgets.
8. Discuss common methods used to determine an advertising budget.
9. Select from a list techniques used to distribute advertising dollars in order to maintain adequate coverage.
10. List sales promotion activities used by small businesses.
11. Select from a list types of public relations activities used by small businesses.
12. State principles of visual merchandising.
13. Analyze newspaper advertisements.
14. Analyze radio advertisements.
15. Analyze television advertisements.
16. Analyze outdoor advertisements.
17. Prepare an advertising budget.
18. Make recommendations for improving the promotion plan used by a small business.
19. Write a publicity release.
20. Plan a window display.

PROMOTING A SMALL BUSINESS
UNIT IV

SUGGESTED ACTIVITIES

I. Suggested activities

  A. Order materials planned to supplement unit.

  B. Make transparencies.

  C. Provide students with objective sheet.

  D. Provide students with information and assignment sheets.

  E. Discuss unit and specific objectives.

  F. Discuss information and assignment sheets.

  G. Refer to *DE II*, Section G, "Merchandising" Oklahoma State Department of Vocational and Technical Education, for detailed information on the selling process when discussing Objective 3.

  H. Refer to Section D, "Store Layout," of this book for detailed information on visual merchandising and store layout when discussing Objective 12.

  I. Ask a representative from an advertising agency to speak with your class about advertising in your local community.

  (NOTE: You may want to have a small business owner speak on the same topic.)

  J. Give test.

  K. Reteach if necessary.

  L. Retest.

II. Instructional materials

  A. Objective sheet

  B. Suggested activities

  C. Information sheet

  D. Transparency masters

    1. TM #1--Advertising as Practiced by Selected Small Businesses

    2. TM #2--Advertising as Practiced by Selected Small Business (Continued)

    3. TM #3--Advertising Media Comparison Chart

    4. TM #4--Advertising Media Comparison Chart (Continued)

SUGGESTED ACTIVITIES

5. TM #5--Advertising Media Comparison Chart (Continued)

6. TM #6--Shopping Events

7. TM #7--The Publicity Release

E. Assignment sheets

1. Assignment Sheet #1--Analyze Newspaper Advertisements

2. Assignment Sheet #2--Analyze Radio Advertisements

3. Assignment Sheet #3--Analyze Television Advertisements

4. Assignment Sheet #4--Analyze Outdoor Advertisements

5. Assignment Sheet #5--Prepare an Advertising Budget

6. Assignment Sheet #6--Make Recommendations for Improving the Promotion Plan Used by a Small Business

7. Assignment Sheet #7--Write a Publicity Release

8. Assignment Sheet #8--Plan a Window Display

F. Answers to assignment sheets

G. Test

H. Answers to test

III. Unit references

A. Everard, Kenneth E., and Bernard A. Shilt. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

B. Hailes, William D., and Raymond T. Hubbard. *Small Business Management.* Albany, New York: Delmar Publishers, 1977.

C. Kirkpatrick, Charles A., and Frederick A. Russ. *Business.* Chicago: Science Research Associates, Inc., 1978.

D. Samson, Harland E. *Advertising Planning & Techniques.* Cincinnati: South-Western Publishing Company, 1979.

E. "Advertising Small Business," *Small Business Reporter.* San Francisco: Bank of America, 1978.

PROMOTING A SMALL BUSINESS
UNIT IV

INFORMATION SHEET

I. Terms and definitions

A. Advertisement--A message, paid for by a sponsor, which informs people about a company and its services

(NOTE: An advertisement may present information about the company itself, its products and services, or its personnel.)

B. Cooperative advertising--System of advertising in which the manufacturer and the local business share in the cost of delivering their message

C. Goodwill--Intangible, salable asset representing the reputation of a business and its relationship with its customers

D. Media--System for delivering an advertised message

E. Outdoor advertising--Billboards, business signs, and other advertising that is done outside a building or other structure

F. Personal selling--Process of assisting customers in making their selections of products or services where salesperson and customer communicate on a one-to-one basis

G. Promotion--Activity which provides a communication link between a company and its customers

H. Sales promotion--Any activity designed to increase sales volume within a business

I. Shopper--Newspaper which contains many advertisements by local businesses and is delivered free of charge to local residents

J. Sponsor--Company or individual who pays for an advertisement

K. Transit advertising--Form of outdoor advertising in which the message is attached to some mode of transportation

EXAMPLES: Signs, on busses, taxies, airplanes, blimps, subways

L. Visual merchandising--Display of merchandise at or near the point of purchase

II. Activities used in promoting a small business

A. Personal selling

B. Advertising

C. Sales promotion

D. Visual merchandising

INFORMATION SHEET

III. Basic steps of the selling process

- A. Pre-approach--Identify prospective customers, analyze product or service for sale
- B. Approach--Gain customer's attention
- C. Determine needs--Help customer select item(s) that best meet his or her needs
- D. Presentation--Show customer appropriate product or service; attempt to turn interest for the product or service into customer's desire to own it
- E. Overcome objections--Listen to customer's concerns and questions and use them to strengthen the sales presentation
- F. Close--Ask questions to draw the customer's commitment to purchase the product or service; prepare the sales ticket
- G. Suggestion selling--Attempt to increase the amount of the sale by suggesting an additional item related to the one already accepted by the customer
- H. Reassurance--Encourage customer to return to the store and reaffirm confidence in product or service purchased

  (NOTE: If customers feel good about their purchases, they will promote the business through word-of-mouth communication.)

IV. Reasons businesses spend money on advertising and promotion

- A. Promote consumer awareness of the business and its products and services
  1. Stabilize merchandising practices
  2. Acquaint customers with new products
  3. Promote special events

     EXAMPLES: Clearance sales, seasonal sales, new store location
  4. Tell customers about special services available
- B. Increase personal selling by stimulating customer interest
  1. Increase store traffic
  2. Increase visibility of products
  3. Decrease expenses

     (NOTE: This can be done by tying in with manufacturer's national promotions of brand-name products, by using *cooperative advertising,* and by taking advantage of seasonal nature of certain products.)

INFORMATION SHEET

C. Establish or modify public's image of the company

  1. Keep the business' name before the public

  2. Build goodwill

INFORMATION SHEET

V. Steps used in planning advertising and sales promotions (Transparencies #1 and #2)

EXAMPLE: One month plan

JUNE Advertising Budget **Winston Hardware**

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Advertising budget for June 10% of sales = $725.00 Co-op funds = 140.00 Reserve fund = 50.00 Total = $915.00		1 RADIO 3 30-sec. spots Flag Sale Cost - $60	2 NEWSPAPER 100 lines Flag Sale Cost - $70 ($50 from reserve)	3 RADIO 3 30-sec. spots Flag Sale Cost - $60 Open Tonight	4 NEWSPAPER 100 lines Housewares for Brides Cost - $70 Open Tonight	5
6	7	8 RADIO 3 30-sec. spots Flag Sale Cost - $60	9	10 RADIO 3 30-sec. spots Flag Sale Cost - $60 Open Tonight	11 NEWSPAPER 200 lines Workbench for Father's Day Cost - $140 ($70 from Co-op) Open Tonight	12
13	14 FLAG DAY	15 DIRECT MAIL To all charge account customers Sprinkler Systems Cost - $45	16	17 Open Tonight	18 NEWSPAPER 200 lines Hand tools for Father's Day Cost - $140 ($70 from Co-op) Open Tonight	19
20 FATHER'S DAY	21 FIRST DAY OF SUMMER	22	23 NEWSPAPER 100 lines Camping Equipment Cost - $70	24 Open Tonight	25 NEWSPAPER 100 lines Camping and Picnic Equipment Cost - $70 Open Tonight	26
27	28	29	30 NEWSPAPER 100 lines 4th of July needs Cost - $70	Advertising expenditures as of 6/30 $3,425.00 Balance of general ad budget $4,000.00 Balance of reserve ad budget $ 700.00		

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A. Establish in writing definite goals to be achieved

B. Plan the budget

INFORMATION SHEET

C. Develop a theme, idea, or philosphy

D. Study various methods of promotion and determine the most appropriate media to use (Transparencies #1 and #2)

E. Assign employees various responsibilities for covering all aspects of campaign

F. Establish a time schedule for completion of each element of campaign

G. Maintain records on all aspects of campaign

H. Review program periodically and make necessary adjustments

VI. Types of advertising media available to small businesses (Transparencies #3-5; Assignment Sheets #1-4)

A. Daily newspaper

B. Weekly newspaper

C. Shopper

D. Telephone directories

E. Direct mail

F. Radio

G. Television

H. Transit

I. Outdoor

J. Local magazine

K. Specialty advertising

EXAMPLES: Pens, calendars, paperweights, matchbooks, rulers which carry the name, address, and telephone number of the company

VII. Factors to be considered when determining advertising budgets

(NOTE: Activities classified as *sales promotions* should be handled as a separate expense, away from *advertising*. The Internal Revenue Service has established limits beyond which spending on promotional activities cannot be deducted as business expense. Consult the IRS for current guidelines.)

A. Goals to be met by running the campaign

B. Nature of business

EXAMPLES: Prestige or service image, price/promotional image, type of merchandise or service offered

INFORMATION SHEET

C. Media available

D. Location of business

E. Size of business

F. Business conditions and competition

G. Average percent of net sales spent by other businesses in the industry

EXAMPLES:

Type of Business (Retail and Service)	Percent of Sales Spent on Advertising
Automobile dealers	0.8
Bakeries	0.9
Beauty shops	1.5
Camera stores	2.0
Department stores	3.5
Drugstores	1.2
Electrical appliance stores	2.4
Furniture stores	3.5
Grocery stores	1.0
Hardware stores	1.2
Jewelry stores	3.5
Laundry services	1.7
Men's wear stores	2.9
Paint stores	1.5
Recreational services	3.5
Shoe stores	2.5
Sporting goods stores	2.0
Women's wear stores	3.2

H. Results obtained from previous campaigns

VIII. Common methods used to determine an advertising budget (Assignment Sheet #5)

A. No plan at all--Advertising is done on a "hit-and-miss" basis

(NOTE: This method frequently results in "no results" as very little planning, if any, goes into advertising management. Firms that use this method are truly gambling with their futures.)

B. Shopping events (Transparency #6)

1. Advertising is planned around seasonal merchandising activities in accordance with the amount of sales produced

2. Problem with shopping-events budgeting is that so much money may be spent during major seasons, such as Christmas, that little money is left for basic week-to-week advertising

INFORMATION SHEET

C. Last year's sales

   1. Same percent of sales is spent from one year to the next

   2. Does not allow for progressive growth budgeting, nor for changing business conditions

D. Anticipated sales

   1. Most common method for determining advertising budgets

   2. Advertising is projected around sales based on past sales records of the firm, sales of competitors, general economic conditions, and trends in consumer spending

E. Objective-task method

   1. Each year is broken down into 2 six-month periods

   2. Basic advertising and special promotion needs are estimated

   3. Objectives are set in terms of sales dollars generated

   4. Focuses on business activities and changing conditions

   5. Few businesses use this method because of the time and calculations involved in planning and controlling the advertising budget

IX. Techniques used to distribute advertising dollars in order to maintain adequate coverage (Assignment Sheet #6)

A. Advertise monthly in proportion to expected sales volume

B. Adjust proportion of advertising budget to compensate for high or low monthly sales volume

(NOTE: A firm that allocated the percent of its monthly sales volume to advertising may need to spend only two percent of this amount during the Christmas season, but as much as four percent during January in order to maintain adequate coverage.)

C. Adjust for pre-season advertising

D. Adjust daily or weekly for local pay periods, community celebrations, holidays, and store anniversaries

(NOTE: Check with local Chamber of Commerce for local community events.)

E. Use repeated coverage in few media rather than single ads in a wide variety of media

F. Use contracts for maximum usage of local media

INFORMATION SHEET

G. Prepare advertising budget for each department

(NOTE: Determine money allocation for specific items in proportion to their importance to departmental sales volume.)

H. Schedule ads for specific merchandise lines according to demand

X. Sales promotion activities used by small businesses

(NOTE: Good customer relations, founded upon the activities of courteous employees and ethical business practices, is the best possible way to stimulate personal selling directly; however, many businesses use other means, called *sales promotions,* to increase sales.)

A. Trading stamps

B. Preferred customer mailing list

C. Holiday promotions

EXAMPLES: Having "Santa" visit with customers during the Christmas season; giving customers candy on Valentine's Day and Halloween

D. Gift certificates

E. Coupons

F. Free gifts; give-away items

G. Public relations activities

XI. Types of public relations activities used by small businesses (Assignment Sheet #7)

A. Participate in community organizations

EXAMPLES: Chamber of Commerce, Kiwanis, Rotary

B. Work with area schools

EXAMPLES: Provide resource people to speak with classes; host field trips for classes and organizations

C. Distribute publicity releases about personnel, store improvements, and new products or services (Transparency #7)

D. Print a store newsletter for employees

E. Sponsor community activities

EXAMPLES: Softball teams, bowling teams, local contests, special events

INFORMATION SHEET

F. Sponsor or participate in a consumer buying show

EXAMPLES: Fashion show, home furnishings extravaganza, energy conservation seminar display, home builders' show, state fair booth, trade show

XII. Principles of visual merchandising (Assignment Sheet #8)

A. Select merchandise appropriate for display

(NOTE: Best sellers, items that are attractive, and items that are currently making news should be chosen for display.)

B. Use a variety of interior displays

EXAMPLES: Free-standing floor display, island/gondola display, end-cap display, closed-case display, point-of-purchase display, suspension/flying display

C. Use lighting to emphasize merchandise

D. Provide adequate space for traffic movement

E. Arrange merchandise in a logical manner

EXAMPLES: According to type of merchandise, by departments

F. Use informative and attractive signs to enhance displays

G. Select an appropriate store front

(NOTE: Visual fronts with large windows allow customers to see merchandise from outside. Enclosed fronts are more effective for businesses which carry small, expensive items, such as jewelry, and for service firms which have little desire to attract customers visually.)

Advertising as Practiced by Selected Small Businesses

Type of Business	Average Ad Budget (% of Sales)	Favorite Media	Other Media	Special Considerations	Promotional Opportunities
Apparel Stores	2.5-3.0%	Weekly or suburban newspapers: direct mail.	Radio; Yellow Pages; exterior signs.	Cooperative advertising available from manufacturers.	Fashion shows for community organizations or charities.
Auto Supply Stores	0.5-2.0%	Local newspapers: Yellow Pages.	Point-of-purchase displays; exterior signs.	Cooperative advertising available from manufacturers.	For specialty stores, direct mail is a popular medium.
Bookstores	1.5-1.7%	Newspapers; shoppers; Yellow Pages; local magazines.	Radio; exterior signs.	Cooperative advertising available from publisher.	Autograph parties.
Coin-Op Laundries	0.6-2.0%	Yellow Pages; handbills distributed in area; local newspapers.	Direct mail; exterior signs.		Coupons in newspaper ads for "free trial."
General Job Printing	0.4-1.0%	Yellow Pages; trade journals	Local newspapers; direct mail; exterior signs.		Samples of work can be used as promotional tools.

Figures compiled by Small Business Reporter in California.

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Advertising as Practiced by Selected Small Businesses (Continued)

Type of Business	Average Ad Budget (% of Sales)	Favorite Media	Other Media	Special Considerations	Promotional Opportunities
Gift Stores	1.5-2.5%	Weekly newspapers; Yellow Pages.	Radio; direct mail; consumer magazines; exterior signs.		Open houses; in-store demonstrations of products such as cookware.
Hairgrooming/ Beauty Salons	2.5-3.0%	Yellow Pages.	Newspapers; name credits for styles in feature articles; exterior signs.	Word-of-mouth advertising is very important to a salon's success.	Styling for community fashion shows; conducting free beauty clinics and demonstrations.
Health Food Stores	1.1-2.8%	Local newspapers; shoppers; college newspapers.	Direct mail; point-of-purchase displays; exterior signs.		Educational displays and services.
Restaurants	0.8-3.0%	Newspapers; radio; Yellow Pages; transit; outdoor.	Local entertainment guides or tourist publications; theater programs; TV for chain or franchise restaurants; exterior signs.	Word-of-mouth advertising is relied upon heavily by independently owned restaurants.	"Free" advertising in critics' columns; specialties; birthday cakes or parties for customers.

Figures compiled by Small Business Reporter in California.

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Advertising Media Comparison Chart

Medium	Market Coverage	Type of Audience	Particular Suitability	Major Advantage	Major Disadvantage
Daily Newspaper	Single community or entire metro area; zoned editions sometimes available.	General; tends more toward men, older age group, slightly higher income and education.	All general retailers.	Wide circulation.	Nonselective audience.
Weekly Newspaper	Single community usually; sometimes a metro area.	General; usually residents of a smaller community.	Retailers who service a strictly local market.	Local identification.	Limited readership.
Shopper	Most households in a single community; chain shoppers can cover a metro area.	Consumer households.	Neighborhood retailers and service businesses.	Consumer orientation.	A giveaway and not always read.
Telephone Directories	Geographic area or occupational field served by the directory.	Active shoppers for goods or services.	Services retailers of brand-name items, highly specialized retailers.	Users are in the market for goods; or services.	Limited to active shoppers.

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Advertising Media Comparison Chart (Continued)

Medium	Market Coverage	Type of Audience	Particular Suitability	Major Advantage	Major Disadvantage
Direct Mail	Controlled by the advertiser.	Controlled by the advertiser through use of demographic lists.	New and expanding businesses; those using coupon returns or catalogs.	Personalized approach to an audience of good prospects.	High CPM.
Radio	Definable market area surrounding the station's location.	Selected audiences provided by stations with distinct programming formats.	Businesses catering to identifiable groups; teens, commuters, housewives.	Market selectivity, wide market coverage.	Must be bought consistently to be of value.
Television	Definable market area surrounding the station's location.	Varies with the time of day; tends toward younger age group; less print-oriented.	Sellers of products or services with wide appeal.	Dramatic impact, wide market coverage.	High cost of time and production.

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Advertising Media Comparison Chart (Continued)

Medium	Market Coverage	Type of Audience	Particular Suitability	Major Advantage	Major Disadvantage
Transit	Urban or metro community served by transit system; may be limited to a few transit routes.	Transit riders, especially wage earners and shoppers; pedestrians.	Businesses along transit routes, especially those appealing to wage earners.	Repetition and length of exposure.	Limited audience.
Outdoor	Entire metro area or single neighborhood.	General; especially auto drivers.	Amusements, tourist businesses, brand-name retailers.	Dominant size, frequency of exposure.	Clutter of many signs reduces effectiveness of each one.
Local Magazine	Entire metro area or region; zoned editions sometimes available.	General; tends toward better educated, more affluent.	Restaurants, entertainments, specialty shops, mail-order businesses.	Delivery of a loyal, special-enterest audience.	Limited audience.

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SHOPPING EVENTS

MONTH	CALENDAR EVENTS	PROMOTIONS
January	Inventory clearance	Clearance of winter merchandise Resort wear
February	Lincoln's Birthday Washington's Birthday Valentine's Day Boy Scout Week Lent*	Advance showing of spring merchandise
March	Girl Scout Week Easter* St. Patrick's Day	Spring clothes Boating and camping shows
April	Opening of baseball season	Spring cleaning supplies Garden supplies and outdoor furniture
May	Mother's Day	Spring clearance Summer sportswear Air conditioners
June	Graduation Father's Day	Summer wear Camp wear Barbecue needs
July	Fourth of July Inventory clearance	Summer clearance
August	Back-to-school needs	Advance showing of fall merchandise
September	Christmas layaway promotion Back-to-school	Fall clothes
October	Columbus Day Halloween	Fall clothes and accessories
November	Election Day Thanksgiving Christmas	Winter clothes and accessories
December	Christmas	Winter clothes Resort wear

*May vary

The Publicity Release

Distributive Education Clubs of America
Christopher Miller
Your Town High School
Your Town, Oklahoma 74074
555-2934

FOR IMMEDIATE RELEASE

A check for $500 to be used for a scholarship was presented last night by Mr. Jerry Samuels, president of Crase Department Store, to DECA student Christopher Miller, to study Fashion Merchandising at Oklahoma State University, Stillwater, Oklahoma.

Mr. Miller was recognized for his outstanding contribution to the local community and to the Distributive Education Chapter of Your Town.

####

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #1--ANALYZE NEWSPAPER ADVERTISEMENTS

NAME ______________________________ SCORE ______________

It is necessary for small business managers to check their advertisements for completeness, accuracy, and production quality. This practice does not take much time, but can ensure that the best possible advertisements are being developed for the firm's advertising dollar. By checking each ad, problem areas and omissions may be detected and corrected before the ad is run. A simple checklist may be used to analyze the completeness, accuracy, production quality, and overall effectiveness of an advertisement.

In this assignment you are given a checklist for analyzing advertisements. Look through copies of newspapers and find two advertisements which deal with similar products or services and which were run by different sponsors. Once the ads have been selected, complete the checklist and answer the questions provided to analyze the newspaper advertisements.

PART I--Paste ads to separate sheets of paper

(NOTE: Ads should be of similar size and by similar companies. Ads should be at least four inches by six inches in size.)

PART II--Identify the elements of the advertisements

(NOTE: This information is needed to answer questions provided in the checklist.)

A. Circle the headline and mark "Headline" in an appropriate area of the ad

   (NOTE: The headline is the attention-getting device which makes the reader want to know more about the product or service.)

B. Draw a line from the illustration to the word "Illustration," which should be written in an appropriate area of the ad

   (NOTE: The illustration is a picture and should give the customer a good idea of what the product looks like or what the service does.)

C. Draw a box around the body copy and write "Body copy" in an appropriate area of the ad

   (NOTE: Body copy is the selling message of the advertisement, and normally includes the price of the product or service being advertised.)

D. Underline the firm's logotype and address and hour information and write "Store logo and information" in an appropriate area of the ad

   (NOTE: The firm's logo and information provide a basic identification of the business and its location.)

ASSIGNMENT SHEET #1

PART III--Complete a newspaper advertisement checklist for each ad

NEWSPAPER ADVERTISEMENT CHECKLIST			
Ad's Sponsor: ______________________	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Does the ad contain an attention-getting headline?			
Does the illustration effectively show the merchandise or service?			
Does the body copy present a customer-oriented point of view?			
Does the ad appropriately use store logo and information?			
Does the ad effectively use all elements together in harmony?			
Is there a definite sequence which the customer's eyes will follow through the ad? (Visual sequence)			
Can the customer effectively determine the nature of the goods or services being advertised?			
Does the ad ask the customer for action, to come in and buy?			

ASSIGNMENT SHEET #1

NEWSPAPER ADVERTISEMENT CHECKLIST			
Ad's Sponsor: ____________________	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Does the ad contain an attention-getting headline?			
Does the illustration effectively show the merchandise or service?			
Does the body copy present a customer-oriented point of view?			
Does the ad appropriately use store logo and information?			
Does the ad effectively use all elements together in harmony?			
Is there a definite sequence which the customer's eyes will follow through the ad? (Visual sequence)			
Can the customer effectively determine the nature of the goods or services being advertised?			
Does the ad ask the customer for action, to come in and buy?			

ASSIGNMENT SHEET #1

PART IV--Analyze newspaper advertisements

A. Which of the two advertisements was the more effective overall? Explain your answer.

B. What was the strongest element of each ad? The weakest? Explain your answer.

1. Ad's sponsor: ____
   a. Strongest element: ____
   b. Weakest element: ____
2. Ad's sponsor: ____
   a. Strongest element: ____
   b. Weakest element: ____

ASSIGNMENT SHEET #1

PART V--Make recommendations to improve newspaper advertisements

Write your recommendations for improving each of the newspaper advertisements that were chosen for this assignment.

A. Advertisement #1--Sponsor's name: ______________________________

B. Advertisement #2--Sponsor's name: ______________________________

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #2--ANALYZE RADIO ADVERTISEMENTS

NAME ________________________ SCORE ____________

It is necessary for small business managers to check their advertisements for completeness, accuracy, and production quality. This practice does not take much time, but can ensure that the best possible advertisements are being developed for the firm's advertising dollar. By checking each ad, problems areas and omissions may be detected and corrected before the ad is run. A simple checklist may be used to analyze the completeness, accuracy, production quality, and overall effectiveness of an advertisement.

In this assignment you are given several questions for analyzing radio advertisements. Listen to the radio and select two advertisements which deal with similar products or services and which were run by different sponsors. Once the ads have been selected, answer the questions provided to analyze the radio advertisements.

PART I--Describe each ad chosen

A. Radio ad #1

1. Sponsor-- ________________________
2. Product or service being advertised-- ________________________
____
3. Length of commercial-- ________________________
4. Describe the ad in detail-- ________________________
____
____
____
____
____
____
____
____
____
____

ASSIGNMENT SHEET #2

B. Radio ad #2

1. Sponsor-- ____________________
2. Product or service being advertised-- ____________________
3. Length of commercial-- ____________________
4. Describe the ad in detail-- ____________________

PART II--Complete checklists for radio advertisements

(NOTE: Checklists appear on the following pages.)

ASSIGNMENT SHEET #2

RADIO ADVERTISEMENT CHECKLIST			
Ad's Sponsor: ____________ Length of ad:	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Does the ad present the product or service from the customer's point of view?			
Does the content of the ad flow from beginning to end?			
Can the customer effectively determine the nature of the product or service being advertised?			
Does the ad appropriately use store location and other information?			
Is the station and time frame used appropriate for the market?			
Are voices easy to understand?			
Are appropriate sound effects used?			
Does the ad use maximum efficiency of air time? (Out of a 30-second commercial, 28 seconds should contain sound.)			
Does the ad ask the customer for action, to come in and buy?			

ASSIGNMENT SHEET #2

RADIO ADVERTISEMENT CHECKLIST

Ad's Sponsor: ______________________________ Length of ad:	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Does the ad present the product or service from the customer's point of view?			
Does the content of the ad flow from beginning to end?			
Can the customer effectively determine the nature of the product or service being advertised?			
Does the ad appropriately use store location and other information?			
Is the station and time frame used appropriate for the market?			
Are voices easy to understand?			
Are appropriate sound effects used?			
Does the ad use maximum efficiency of air time? (Out of a 30-second commercial, 28 seconds should contain sound.)			
Does the ad ask the customer for action, to come in and buy?			

ASSIGNMENT SHEET #2

PART III--Analyze radio advertisements

A. Which of the two advertisements was the more effective overall? Explain your answer.

B. What was the strongest feature of each ad? The weakest? Explain your answers.

1. Ad's sponsor--
   a. Strongest feature--
   b. Weakest feature--
2. Ad's sponsor--
   a. Strongest feature--
   b. Weakest feature--

ASSIGNMENT SHEET #2

PART IV--Make recommendations to improve radio advertisements

Write your recommendations for improving each of the radio advertisements that were chosen for this assignment.

A. Advertisement #1--Sponsor's name: ______________________________

B. Advertisement #2--Sponsor's name: ______________________________

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #3--ANALYZE TELEVISION ADVERTISEMENTS

NAME ________________________________ SCORE ______________

It is necessary for small business managers to check their advertisements for completeness, accuracy, and production quality. This practice does not take much time, but can ensure that the best possible advertisements are being developed for the firm's advertising dollar. By checking each ad, problem areas and omissions may be detected and corrected before the ad is run. A simple checklist may be used to analyze the completeness, accuracy, production quality, and overall effectiveness of an advertisement.

In this assignment you are given several questions for analyzing television advertisements. Watch television commercials and select two which deal with similar products or services and which were run by different sponsors. Once the ads have been selected, answer the questions provided to analyze the television advertisements.

PART I--Describe each ad chosen

A. Television commercial #1

1. Sponsor's name--________________________________
2. Product or service being advertised--________________________

   ____

3. Length of commercial--____________________________
4. Describe the ad in detail--___________________________

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   ____

ASSIGNMENT SHEET #3

B. Television commercial #2

1. Sponsor's name--

2. Product or service being advertised--

3. Length of commercial--

4. Describe the ad in detail--

PART II--Complete checklists for television advertisements

(NOTE: Checklists appear on the following pages.)

ASSIGNMENT SHEET #3

TELEVISION ADVERTISEMENT CHECKLIST

Name of sponsor: ______________________ Length of ad:	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Does the ad present the product or service from the customer's point of view?			
Does the content of the ad flow from beginning to end?			
Can the customer effectively determine the nature of the product or service being advertised?			
Does the ad appropriately use store logo, location, and other information?			
Is the station and time frame used appropriate for the market?			
Are audio (sound) and video (picture) clear and easy to understand?			
Are appropriate sound and lighting effects used?			
Does the ad use maximum efficiency of air time? (Out of a 30-second commercial, 28 seconds should contain sound.)			
Does the ad ask for action, to have the customer come in and buy?			

ASSIGNMENT SHEET #3

TELEVISION ADVERTISEMENT CHECKLIST			
Name of sponsor: ____________ Length of ad:	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Does the ad present the product or service from the customer's point of view?			
Does the content of the ad flow from beginning to end?			
Can the customer effectively determine the nature of the product or service being advertised?			
Does the ad appropriately use store logo, location, and other information?			
Is the station and time frame used appropriate for the market?			
Are audio (sound) and video (picture) clear and easy to understand?			
Are appropriate sound and lighting effects used?			
Does the ad use maximum efficiency of air time? (Out of a 30-second commercial, 28 seconds should contain sound.)			
Does the ad ask for action, to have the customer come in and buy?			

ASSIGNMENT SHEET #3

PART III--Analyze television advertisements

A. Which of the two advertisements was the more effective overall? Explain your answer.

B. What was the strongest feature of each ad? The weakest? Explain your answer.

1. Ad's sponsor--
   a. Strongest feature--
   b. Weakest feature--
2. Ad's sponsor--
   a. Strongest feature--
   b. Weakest feature--

ASSIGNMENT SHEET #3

PART IV--Make recommendations to improve television commercials

Write your recommendations for improving each of the television commercials that were chosen for this assignment.

A. Advertisement #1--Sponsor's name--________________

B. Advertisement #2--Sponsor's name--________________

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #4--ANALYZE OUTDOOR ADVERTISEMENTS

NAME ______________________________ SCORE ______________

It is necessary for small business managers to check their outdoor advertisements for completeness, accuracy, and production quality. This practice does not take much time, but can ensure that the best possible advertisements are being developed for the firm's advertising dollar. By checking each ad, problem areas and ommissions may be detected and corrected before the ad is run. A simple checklist may be used to analyze the completeness, accuracy, production quality, and overall effectiveness of an advertisement.

In this assignment you are given a checklist for analyzing outdoor advertisements. Look around your community and find two outdoor advertisements which deal with similar products or services and which were set up by different sponsors. Once the ads have been selected, complete the checklist and answer the questions provided to analyze the outdoor ads.

PART I--Draw a sketch of the selected outdoor ads

A. Outdoor advertisement #1

1. Sponsor's name--______________________________

2. Location of ad in community--______________________________

3. Outdoor advertisement #1--Sketch

ASSIGNMENT SHEET #4

B. Outdoor advertisement #2

1. Sponsor's name--____
2. Location of ad in community--________________________________
3. Outdoor advertisement #2--Sketch

PART II--Complete outdoor advertisement checklists

(NOTE: Checklists appear on the following pages.)

ASSIGNMENT SHEET #4

OUTDOOR ADVERTISEMENT CHECKLIST

Ad's Sponsor: ______________________	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Is there a definite sequence which the customer's eyes will follow through the ad? (Visual sequence)			
Does the ad present the product or service from the customer's point of view?			
Does the ad appropriately use store logo and information?			
Can the customer effectively determine the nature of the product or service being advertised?			
Is the ad placed appropriately in the community?			
Does the ad use available space to its best advantage?			
Are colors used to draw maximum attention to the ad?			
Do all of the elements of the ad work together in harmony?			
Is the purpose of the ad made clear?			
Does the ad ask the customer for action, to come in and buy?			

ASSIGNMENT SHEET #4

OUTDOOR ADVERTISEMENT CHECKLIST

Ad's Sponsor: ______________________	Yes	No	Comments
Does the ad present a central theme, idea, or philosophy?			
Is there a definite sequence which the customer's eyes will follow through the ad? (Visual sequence)			
Does the ad present the product or service from the customer's point of view?			
Does the ad appropriately use store logo and information?			
Can the customer effectively determine the nature of the product or service being advertised?			
Is the ad placed appropriately in the community?			
Does the ad use available space to its best advantage?			
Are colors used to draw maximum attention to the ad?			
Do all of the elements of the ad work together in harmony?			
Is the purpose of the ad made clear?			
Does the ad ask the customer for action, to come in and buy?			

ASSIGNMENT SHEET #4

PART III--Analyze outdoor advertisements

A. Which of the two advertisements was the more effective overall? Explain your answer.

B. What was the strongest feature of each ad? The weakest? Explain your answers.

1. Ad's sponsor--
    a. Strongest feature--
    b. Weakest feature--
2. Ad's sponsor--
    a. Strongest feature--
    b. Weakest feature--

ASSIGNMENT SHEET #4

PART IV--Make recommendations to improve outdoor advertisements

Write your recommendations for improving each of the outdoor advertisements that were chosen for this assignment.

A. Advertisement #1--Sponsor's name--____________________

B. Advertisement #2--Sponsor's name--____________________

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #5--PREPARE AN ADVERTISING BUDGET

NAME ______________________________ SCORE ______________

It is an absolute must that every small business plan its advertising budget. The "no-plan-at-all" approach cannot effectively cover the needs of business in today's competitive marketplace. Firms that use the no-plan method are truly gambling with their futures. There are four plans which are common to a variety of small businesses: shopping events scheduling, last year's sales method, anticipated sales method, and objective and task method. Although the objective and task method is the best method for determining advertising dollars needed from a theory standpoint, it takes a lot of time and calculating to control this type of advertising budget. For that reason, most businesses use the second-best approach: anticipated sales method. In this method advertising is projected around sales based on past sales records of the firm, sales of competitors, general economic conditions, and trends in consumer spending.

In this assignment you will prepare an advertising budget for Wayne Services, Inc. Given last year's sales figures, calculate an anticipated five percent increase in sales for the current year and prepare an advertising budget based on 3.5 percent of sales.

(NOTE: Complete the form on the following page.)

246-G

ASSIGNMENT SHEET #5

WAYNE SERVICES, INC.
ADVERTISING BUDGET

MONTH	LAST YEAR'S SALES	ANTICIPATED SALES	NEW AD BUDGET
January	$12,965	$	$
February	$14,889	$	$
March	$23,397	$	$
April	$38,217	$	$
May	$27,120	$	$
June	$23,105	$	$
July	$19,765	$	$
August	$17,016	$	$
September	$26,055	$	$
October	$27,650	$	$
November	$34,032	$	$
December	$37,225	$	$

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #6--MAKE RECOMMENDATIONS FOR IMPROVING THE PROMOTION PLAN USED BY A SMALL BUSINESS

NAME ______________________________ SCORE ______________

There are several steps to planning advertising and sales promotion activities. From establishing written goals to be achieved to reviewing the program periodically and making necessary adjustments, the manager must take an active role in assuring that the promotion is being used to increase sales within the business.

In this assignment you will interview the owner or manager of a small business and make recommendations for improving the promotion plan used by the business.

PART I--Interview a manager or store owner for information on the firm's promotion plan

(NOTE: Be sure to schedule the interview session in advance and see that your instructor approves of the interview.)

NAME OF PERSON INTERVIEWED--______________________________

DATE OF INTERVIEW--______________________________

NAME OF BUSINESS--______________________________

BUSINESS ADDRESS AND TELEPHONE--______________________________

A. What is the primary purpose of advertising done by your firm?

____

____

____

B. Who is responsible for the advertising done by your firm?

____

____

C. Who prepares your advertisements?______________________________

____

D. What method do you use to plan your advertising budget?______________

____

____

ASSIGNMENT SHEET #6

E. Why does your firm use this method?

F. Do you use industry averages, or some other means to determine how much money you should spend on advertising?

G. How far in advance do you plan your advertising budget?

H. How far in advance do you plan your advertising theme and media?

I. How do you plan special event promotions?

J. (Write in your own question.)

K. (Write in your own question.)

ASSIGNMENT SHEET #6

PART II--Make recommendations for improving the promotion plan used by a small business

Write your recommendations for improving each of the following areas.

A. Written plan--______________________________

____

____

B. Budget plan--______________________________

____

____

C. Use of themes and ideas in advertising--______________________________

____

____

D. Media used--______________________________

____

____

E. Assignments made to employees--______________________________

____

____

F. Time schedule for completing each element of the program--______________________________

____

____

____

G. Maintenance of records--______________________________

____

____

____

ASSIGNMENT SHEET #6

H. System for reviewing program and making adjustments--

PART III--Comments by person being interviewed

Signature of person interviewed

Title of person interviewed

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #7--WRITE A PUBLICITY RELEASE

NAME ________________________________ SCORE ____________

A common form of sales promotion activity is the publicity release. The primary purpose of a publicity release is to inform the public about an event, activity, or personnel action that has taken place or is about to take place within the business. Publicity releases generally are given to newspaper companies for print; however, radio and television stations also may be used for publicity releases.

(NOTE: When a radio or television station runs an announcement for a non-profit organization, such as DECA, that air time is called public service time, and the release is called a *public service announcement*. The Federal Communications Commission requires that all radio and television stations provide public service time to organizations in local communities at no cost to the organization.)

In this assignment you will write a publicity release which could be sent to your local newspaper to announce the grand opening of your new store or service business. You will have to create a store name and other information needed in the release. Follow the format listed below in preparing the release.

A. Write the heading in the upper left-hand corner of the page

  1. Name of sponsor

  2. Sponsor's address and telephone number

B. Write the release date in the upper right-hand corner

  (NOTE: This is the date that you want your publicity release to be run in the newspaper.)

C. Begin typing the copy approximately one-third down from the top of the page

  (NOTE: This leaves room for the newspaper editor to insert the heading.)

  1. Double space the copy

  2. Use complete sentences

D. The lead, or first paragraph should contain critical information

  1. Who--The people or firm involved

  2. What--The news item

  3. When--The date and time

  4. Where--The location of the event

  5. Why--The reason for having the event

ASSIGNMENT SHEET #7

E. End the release with a complete paragraph

(NOTE: If the release takes more than one page, the word "MORE" should be typed at the bottom of the page.)

F. Type "# # #" to indicate the end of the release

PROMOTING A SMALL BUSINESS
UNIT IV

ASSIGNMENT SHEET #8--PLAN A WINDOW DISPLAY

NAME ______________________________ SCORE ____________

Visual merchandising is an effective means of providing a communication link between a company and its customers. It works particularly well for retail business. Visual merchandising allows customers to see what types of merchandise are being offered by the store and should effectively relate the store image to customers. Window displays have the highest customer traffic, as they are seen by those entering the store as well as those just passing by. For that reason window displays are a valuable promotion device.

In this assignment you will plan a window display to promote your firm's grand opening. You will have to create a store name, merchandise lines carried, and store image in order to complete this assignment. Use your imagination and see what you come up with.

PART I--Provide basic information

A. Write the name of your firm--______________________________

B. What types of merchandise lines will your firm carry?____________________

____

____

C. What type of store image do you wish to achieve?____________________

____

D. What specific items of merchandise will be used in your grand opening window display? What fixtures? Props?______________________________

____

____

____

____

____

____

E. What will the show card, or sign, have written on it?____________________

____

ASSIGNMENT SHEET #8

PART II--Prepare rough sketches

A. Make three rough sketches showing what merchandise and props will be needed

B. Vary the arrangement in each sketch

Sketch #1

ASSIGNMENT SHEET #8

Sketch #2

Sketch #3

ASSIGNMENT SHEET #8

PART III--Select the sketch with the most pleasing arrangement

A. Redraw the sketch you have selected, cleaning up the lines and images

(NOTE: You do not have to be an artist. Stick figures for mannequins and lines drawn with a ruler will do. Use the space provided below.)

B. Determine the most effective color scheme to use and color in your sketch in appropriate areas

(NOTE: Use colored pencils or markers for this part of the activity. Crayons are generally not effective for this type of work.)

C. Draw lines to specific merchandise and props and identify them in the border area of the drawing

Comprehensive Sketch

PROMOTING A SMALL BUSINESS
UNIT IV

ANSWERS TO ASSIGNMENT SHEETS

Assignment Sheet #1--Evaluated to the satisfaction of the instructor

Assignment Sheet #2--Evaluated to the satisfaction of the instructor

Assignment Sheet #3--Evaluated to the satisfaction of the instructor

Assignment Sheet #4--Evaluated to the satisfaction of the instructor

Assignment Sheet #5

MONTH	LAST YEAR'S SALES	ANTICIPATED SALES	NEW AD BUDGET
January	$12,965	$13,613	$ 476
February	$14,889	$15,633	$ 547
March	$23,397	$24,567	$ 860
April	$38,217	$40,128	$1,404
May	$27,120	$28,476	$ 997
June	$23,105	$24,260	$ 849
July	$19,765	$20,753	$ 726
August	$17,016	$17,867	$ 625
September	$26,055	$27,358	$ 958
October	$27,650	$29,033	$1,016
November	$34,032	$35,734	$1,251
December	$37,225	$39,086	$1,368

(NOTE: Answers are rounded to the nearest dollar.)

Assignment Sheet #6--Evaluated to the satisfaction of the instructor

Assignment Sheet #7--Evaluated to the satisfaction of the instructor

Assignment Sheet #8--Evaluated to the satisfaction of the instructor

PROMOTING A SMALL BUSINESS
UNIT IV

TEST

NAME ______________________________ SCORE ______________

1. Match terms associated with promoting a small business to their correct definitions. Write the correct numbers in the blanks.

_____a. A message paid for by a sponsor, which informs people about a company and its services

_____b. System for delivering an advertised message

_____c. Billboards, business signs, and other advertising that is done outside a building or other structure

_____d. System of advertising in which the manufacturer and the local business share in the cost of delivering their message

_____e. Activity which provides a communication link between a company and its customers

_____f. Process of assisting customers in making their selections of products or services where salesperson and customer communicate on a one-to-one basis

_____g. Company or individual who pays for an advertisement

_____h. Form of outdoor advertising in which the message is attached to some mode of transportation

_____i. Display of merchandise at or near the point of purchase

_____j. Newspaper which contains many advertisements by local businesses and is delivered free of charge to local residents

_____k. Any activity designed to increase sales volume within a business

_____l. Intangible, salable asset representing the reputation of a business and its relationship with its customers

1. Advertisement
2. Cooperative advertising
3. Goodwill
4. Media
5. Outdoor advertising
6. Personal selling
7. Promotion
8. Sales promotion
9. Shopper
10. Sponsor
11. Transit advertising
12. Visual merchandising

TEST

2. Select from the following list activities used in promoting a small business. Write an "X" in the blank before each correct answer.

______a. Providing employee benefits

______b. Hiring personnel

______c. Visual merchandising

______d. Personal selling

______e. Advertising

______f. Analyzing data

______g. Sales promotion

______h. Merchandising practices

3. Match basic steps of the selling process to their correct descriptions. Write the correct numbers in the blanks.

______a. Listen to customer's concerns and questions and use them to strengthen the sales presentation

______b. Attempt to increase the amount of the sale by suggesting an additional item related to the one already accepted by the customer

______c. Show customer appropriate product or service; attempt to turn interest for the product or service into customer's desire to own it

______d. Gain customer's attention

______e. Help customer select item(s) that best meet his or her needs

______f. Identify prospective customers; analyze product or service for sale

______g. Ask questions to draw the customer's commitment to purchase the product or service; prepare the sales ticket

______h. Encourage customer to return to the store and reaffirm confidence in product or service purchased

1. Pre-approach
2. Approach
3. Determine needs
4. Presentation
5. Overcome objections
6. Close
7. Suggestion selling
8. Reassurance

TEST

4. Describe reasons businesses spend money on advertising and promotion.

5. Arrange in order the steps used in planning advertising and sales promotions. Write a "1" before the first step, a "2" before the second step, and so on.

______a. Establish a time schedule for completion of each element of campaign

______b. Study the various methods of promotion and determine the most appropriate media to use

______c. Assign employees various responsibilities for covering all aspects of the campaign

______d. Establish in writing definite goals to be achieved

______e. Review program periodically and make necessary adjustments

______f. Develop a theme, idea, or philosophy

______g. Plan the budget

______h. Maintain records on all aspects of campaign

6. List eight types of advertising media available to small businesses.

a. ______________________ e. ______________________

b. ______________________ f. ______________________

c. ______________________ g. ______________________

d. ______________________ h. ______________________

TEST

7. List factors to be considered when determining advertising budgets.

   a. ______________________________
   b. ______________________________
   c. ______________________________
   d. ______________________________
   e. ______________________________
   f. ______________________________
   g. ______________________________
   h. ______________________________

8. Discuss common methods used to determine an advertising budget.

   a. No plan at all-- ______________________________

   b. Shopping events-- ______________________________

   c. Last year's sales-- ______________________________

   d. Anticipated sales-- ______________________________

TEST

e. Objective-task method--______________________________

____

____

____

____

9. Select from the following list techniques used to distribute advertising dollars in order to maintain adequate coverage. Write an "X" in the blank before each correct answer.

_____a. Advertise slow moving items to clear them from the store

_____b. Schedule ads for specific merchandise lines according to demand

_____c. Prepare advertising budget for each department

_____d. Use contracts for minimum usage of local media

_____e. Use single ads in a wide variety of media rather than repeated coverage in few media

_____f. Advertise monthly in proportion to expected sales volume

_____g. Adjust proportion of advertising budget to compensate for high or low monthly sales volume

_____h. Adjust daily or weekly for local pay periods, community celebrations, holidays, and store anniversaries

_____i. Adjust for pre-season advertising

_____j. Prepare a two-year plan for the entire store

10. List five sales promotion activities used by small businesses.

a. ______________________________

b. ______________________________

c. ______________________________

d. ______________________________

e. ______________________________

TEST

11. Select from the following list types of public relations activities used by small businesses. Write an "X" in the blank before each correct answer.

______a. Participate in community organizations

______b. Expand the store's floor space

______c. Put up a billboard near a major intersection

______d. Work with area schools

______e. Contract to run daily ads during a morning radio show

______f. Display merchandise in the store

______g. Distribute publicity releases about personnel, store improvements, and new products or services

______h. Run advertisements in the local newspaper

______i. Print a store newsletter for employees

______j. Sponsor community activities

______k. Create a new television commercial

______l. Sell merchandise to customers

______m. Sponsor or participate in a consumer buying show

______n. Add a snack bar to the store

12. State principles of visual merchandising.

a. ____

b. ____

c. ____

d. ____

e. ____

f. ____

g. ____

TEST

(NOTE: Test questions 13-20 are the assignment sheets. They are an important part of this test. If they have not been completed, check with your instructor.)

13. Analyze newspaper advertisements.

14. Analyze radio advertisements.

15. Analyze television advertisements.

16. Analyze outdoor advertisements.

17. Prepare an advertising budget.

18. Make recommendations for improving the promotion plan used by a small business.

19. Write a publicity release.

20. Plan a window display.

PROMOTING A SMALL BUSINESS
UNIT IV

ANSWERS TO TEST

1. a.	1	g.	10
b.	4	h.	11
c.	5	i.	12
d.	2	j.	9
e.	7	k.	8
f.	6	l.	3

2. c, d, e, g

3. a.	5	e.	3
b.	7	f.	1
c.	4	g.	6
d.	2	h.	8

4. Description should include
   a. Promote consumer awareness of the business and its products and services
      1) Stabilize merchandising practices
      2) Acquaint customers with new products
      3) Promote special events
      4) Tell customers about special services available
   b. Increase personal selling by stimulating customer interest
      1) Increase store traffic
      2) Increase visibility of products
      3) Decrease expenses
   c. Establish or modify public's image of the company
      1) Keep the business' name before the public
      2) Build goodwill

ANSWERS TO TEST

5. a. 6
   b. 4
   c. 5
   d. 1
   e. 8
   f. 3
   g. 2
   h. 7

6. Answer should include any eight of the following
   a. Daily newspaper
   b. Weekly newspaper
   c. Shopper
   d. Telephone directories
   e. Direct mail
   f. Radio
   g. Television
   h. Transit
   i. Outdoor
   j. Local magazine
   k. Specialty advertising

7. a. Goals to be met by running the campaign
   b. Nature of business
   c. Media available
   d. Location of business
   e. Size of business
   f. Business conditions and competition
   g. Average percent of net sales spent by other businesses in the industry
   h. Results obtained from previous campaigns

ANSWERS TO TEST

8. Discussion should include
   - a. No plan at all--Advertising is done on a "hit-and-miss" basis
   - b. Shopping events
     - 1) Advertising is planned around seasonal merchandising activities in accordance with the amount of sales produced
     - 2) Problem with shopping-events budgeting is that so much money may be spent during major seasons, such as Christmas, that little money is left for basic week-to-week advertising
   - c. Last year's sales
     - 1) Same percent of sales is spent from one year to the next
     - 2) Does not allow for progressive growth budgeting, nor for changing business conditions
   - d. Anticipated sales
     - 1) Most common method for determining advertising budgets
     - 2) Advertising is projected around sales based on past sales records of the firm, sales of competitors, general economic conditions, and trends in consumer spending
   - e. Objective-task method
     - 1) Each year is broken down into 2 six-month periods
     - 2) Basic advertising and special promotion needs are estimated
     - 3) Objectives are set in terms of sales dollars generated
     - 4) Focuses on business activities and changing conditions
     - 5) Few businesses use this method because of the time and calculations involved in planning and controlling the advertising budget

9. b, c, f, g, h, i

10. Answer should include any five of the following
    - a. Trading stamps
    - b. Preferred customer mailing list
    - c. Holiday promotions

ANSWERS TO TEST

- d. Gift certificates
- e. Coupons
- f. Free gifts; give-away items
- g. Public relations activities

11. a, d, g, i, j, m

12. a. Select merchandise appropriate for display
    b. Use a variety of interior displays
    c. Use lighting to emphasize merchandise
    d. Provide adequate space for traffic movement
    e. Arrange merchandise in a logical manner
    f. Use informative and attractive signs to enhance displays
    g. Select an appropriate store front

13. Evaluated to the satisfaction of the instructor

14. Evaluated to the satisfaction of the instructor

15. Evaluated to the satisfaction of the instructor

16. Evaluated to the satisfaction of the instructor

17. Evaluated to the satisfaction of the instructor

18. Evaluated to the satisfaction of the instructor

19. Evaluated to the satisfaction of the instructor

20. Evaluated to the satisfaction of the instructor